

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

\$10,000,000**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS****Variable Rate Demand Revenue Bonds****(KTEH Foundation)****Series 2003****Dated: Date of Delivery****Price: 100%****CUSIP: 00037CFG0†****Due: September 1, 2023**

This cover page contains certain information for quick reference only. It is not intended to be a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used (but not defined) in this cover page shall have the meanings given to such terms herein.

The Bonds are issuable as fully-registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Purchases and tenders of the Bonds may be made in book-entry form only, through brokers and dealers who are, or who act through, DTC Participants. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates. Payments of principal, interest and premium, if any, and the Purchase Price of the Bonds will be made to DTC by Wells Fargo Bank, National Association, as Trustee. Disbursement of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the Beneficial Owners is the responsibility of DTC Participants. See Appendix A—"BOOK-ENTRY ONLY SYSTEM."

The Bonds are being issued by the ABAG Finance Authority for Nonprofit Corporations (the "Authority"), which will loan the proceeds thereof to

KTEH FOUNDATION

(the "Foundation") pursuant to the Loan Agreement to provide funds which the Foundation will use to (i) refinance certain debt of the Foundation; (ii) finance programming rights and a portion of the costs of acquiring and installing certain equipment at facilities of the Foundation and (iii) pay costs incurred in connection with the issuance of the Bonds, all as more fully described herein. The principal, premium, if any, and interest on the Bonds are payable by the Trustee from the funds pledged under the Indenture, including Base Loan Payments required to be made by the Foundation under the Loan Agreement. The Foundation's payment obligations under the Loan Agreement are a general, unsecured obligation of the Foundation.

The Bonds will initially bear interest at a Weekly Interest Rate and will be available in denominations of (i) \$100,000 or any integral multiple thereof during any Weekly Rate Period and (ii) \$100,000 or any integral multiple of \$5,000 in excess thereof during any Term Interest Rate Period of nine months or less, and \$5,000 or any integral multiple thereof during any Term Interest Rate Period of greater than nine months. The Bonds are subject to conversion to a Term Interest Rate and are subject to mandatory tender for purchase upon any such conversion, all as more fully described herein. The specific interest rates for each Interest Rate Period are to be determined by the Remarketing Agent, Banc of America Securities LLC, subject to the terms and conditions of the Indenture, all as more fully described herein. The Weekly Interest Rate will be computed on the basis of a 365/366-day year and actual days elapsed during each Weekly Interest Rate Period. The Interest Payment Dates for the Bonds during a Weekly Interest Rate Period will be the first day of each calendar month. Interest is payable on each such Interest Payment Date (or the next succeeding Business Day if such day is not a Business Day), commencing November 3, 2003.

Principal and Purchase Price of and interest on the Bonds will be supported by an irrevocable letter of credit (the "Letter of Credit") issued by Bank of America, N.A.



(the "Bank") pursuant to the terms of a Letter of Credit and Reimbursement Agreement between the Foundation and the Bank. **The Purchase Price of Bonds tendered or deemed tendered pursuant to the Indenture is payable only from the proceeds of the remarketing of such Bonds and, in instances when such tendered or deemed tendered Bonds are not remarketed in an amount equal to the Purchase Price thereof, the proceeds of draws on the Letter of Credit.** The Letter of Credit will be in effect from the date of issuance of the Bonds through the occurrence of the earliest of the termination events described herein, including replacement of the Letter of Credit with an Alternate Letter of Credit meeting the requirements described herein.

THE BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION AND OPTIONAL AND MANDATORY TENDER FOR PURCHASE AS DESCRIBED HEREIN.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES AND OTHER AMOUNTS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF ITS MEMBERS TO PAY ALL OR ANY PORTION OF THE PRINCIPAL, PURCHASE PRICE, PREMIUM (IF ANY), AND INTEREST PAYABLE WITH RESPECT TO THE BONDS. THE BONDS (AND THE OBLIGATION TO PAY THE PRINCIPAL, PURCHASE PRICE, PREMIUM (IF ANY), AND INTEREST PAYABLE WITH RESPECT THERETO) DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT ARE PAYABLE SOLELY FROM THE REVENUES AND OTHER AMOUNTS PLEDGED THEREFOR UNDER THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

The Bonds are offered by the Underwriter when, as and if issued by the Authority and accepted by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by its special counsel, Jones Hall, San Francisco, California, for the Bank, by its counsel, Frandzel Robins Bloom & Csato, L.C., Los Angeles, California, for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, and for the Foundation by Wilson Sonsini Goodrich & Rosati, a Professional Corporation, Palo Alto, California. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about September 30, 2003.

Banc of America Securities LLC

Dated: September 25, 2003

† CUSIP number provided for convenience of reference only. The Authority takes no responsibility for the accuracy of such number.

This Official Statement does not constitute an offer to sell the Bonds in any jurisdiction in which or to any person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the ABAG Finance Authority for Nonprofit Corporations (the “Authority”), KTEH Foundation (the “Foundation”) or Banc of America Securities LLC (the “Underwriter”) to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon.

The information set forth herein under the caption “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION” has been obtained from the Authority. All other information set forth herein has been obtained from the Foundation, Bank of America, N.A. (the “Bank”), The Depository Trust Company and other sources which are believed to be current and reliable, but the accuracy or completeness of such information is not guaranteed by the Authority or the Underwriter. The accuracy or completeness of any information other than that contained under the captions “THE AUTHORITY” and “ABSENCE OF MATERIAL LITIGATION” is not guaranteed by, and is not to be construed as a representation by, the Authority. Estimates and opinions included herein should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Bank or the Foundation since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Estimates and opinions included in this Official Statement should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Bank or the Foundation since the date hereof.

When used in this Official Statement and in any press release and in any oral statement made with the approval of an authorized officer of the Foundation, the Authority, or the Bank or any other entity described or referenced in this Official Statement, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

TABLE OF CONTENTS

	<i>Page</i>
INTRODUCTION.....	1
General	1
Letter of Credit.....	1
Sources of Payment and Security for the Bonds	2
Scope of Information in Official Statement	2
Book-Entry Only System	3
Interest on the Bonds	3
Tender of Bonds for Purchase	3
Redemption	3
Continuing Disclosure	4
Certain Information Related to this Official Statement	4
THE AUTHORITY.....	4
THE FOUNDATION	4
THE PROJECT.....	5
ESTIMATED SOURCES AND USES OF FUNDS.....	5
THE BONDS.....	5
General Description of the Bonds	5
INTEREST ON THE BONDS	6
General	6
Determination of Weekly Interest Rate	7
Determination of Term Interest Rate	7
Interest Rate in Event of Default.....	8
Determination of Interest Rates are Conclusive and Binding	8
CHANGE OF INTEREST RATE PERIOD.....	8
Adjustment to and Continuation of a Term Interest Rate Period.....	8
Notice of Adjustment to Term Interest Rate Period	9
Failure of Conditions to Convert to Term Interest Rate Period.....	9
Adjustment to Weekly Interest Rate Period	9
Notice of Adjustment to Weekly Interest Rate Period	10
TENDER OF BONDS FOR PURCHASE.....	10
Book-Entry System for Bonds	10
Option to Tender for Purchase During Weekly Interest Rate Period	10
Mandatory Tender for Purchase of Bonds	11
Remarketing of Tendered Bonds	12
Disbursements from the Bond Purchase Fund.....	14

Delivery of Remarketed Bonds.....	15
REDEMPTION OF BONDS.....	15
Redemption	15
Selection of Bonds for Redemption	17
Notice of Redemption	17
Partial Redemption of Bonds	17
Effect of Redemption.....	18
SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.....	18
Sources of Payment.....	18
Security	19
THE BANK.....	21
REIMBURSEMENT AGREEMENT	22
Events of Default.....	22
Rights Upon an Event of Default	24
ENFORCEABILITY OF REMEDIES.....	24
TAX MATTERS.....	25
APPROVAL OF LEGAL PROCEEDINGS	26
ABSENCE OF MATERIAL LITIGATION	26
UNDERWRITING.....	26
CONTINUING DISCLOSURE.....	26
RATING.....	27
MISCELLANEOUS.....	27
APPENDIX A - BOOK-ENTRY ONLY SYSTEM.....	A-1
APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.....	B-1
APPENDIX C - PROPOSED FORM OF BOND COUNSEL OPINION.....	C-1

OFFICIAL STATEMENT

\$10,000,000

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

Variable Rate Demand Revenue Bonds

(KTEH Foundation)

Series 2003

INTRODUCTION

This Introduction contains only a brief summary of certain of the terms of the Bonds being offered and a full review should be made of the entire Official Statement, including the cover page and the Appendices, in order to make an informed investment decision. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the laws of the State of California (the “State”) or any documents referred to herein do not purport to be complete and such references are qualified in their entirety to the complete provisions thereof.

General

This Official Statement, including the cover page and Appendices hereto (this “Official Statement”), provides certain information in connection with the offering of \$10,000,000 aggregate principal amount of Variable Rate Demand Revenue Bonds (KTEH Foundation) Series 2003 (the “Bonds”) of the ABAG Finance Authority for Nonprofit Corporations (the “Authority”).

The Bonds will be issued pursuant to and secured by an Indenture, dated as of September 1, 2003 (the “Indenture”), between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Authority will lend the proceeds from the sale of the Bonds to KTEH Foundation (the “Foundation”) pursuant to a Loan Agreement, dated as of September 1, 2003 (the “Loan Agreement”), between the Authority and the Foundation.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings ascribed to such terms in the Indenture. See “Appendix B—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS” for definitions of certain words and terms used but not otherwise defined herein.

Letter of Credit

Principal and Purchase Price of, and interest on, the Bonds will be supported by an irrevocable letter of credit (the “Letter of Credit”) to be issued by Bank of America, N.A. (the “Bank”). Under the Indenture, the Trustee is to make payments of principal of and interest on the Bonds first and directly from draws on the Letter of Credit. Under the Indenture, the Trustee is also to make payment of the Purchase Price of Bonds tendered or deemed tendered for purchase in accordance with the Indenture (“Tendered Bonds”), when the Tendered Bonds are not remarketed in an amount equal to the Purchase Price thereof (such Tendered Bonds being referred to herein as “Unremarketed Bonds”), from draws on the Letter of Credit. See “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.”

While the Loan Agreement will permit the Foundation to cause an Alternate Letter of Credit to be substituted for the Letter of Credit, any such provision of an Alternate Letter of Credit will cause the Bonds to be subject to mandatory tender for purchase with the Purchase Price payable from the proceeds of the remarketing of the Bonds and from draws on the Letter of Credit. See “SOURCES OF PAYMENT

AND SECURITY FOR THE BONDS – Security – Alternate Letter of Credit” and “TENDER OF BONDS FOR PURCHASE – Mandatory Tender for Purchase of Bonds.”

Sources of Payment and Security for the Bonds

The Bonds will be special obligations of the Authority payable solely from the Revenues received from the Foundation pursuant to the Loan Agreement and certain amounts held by the Trustee under the Indenture. The Bonds will be secured by a pledge of the Revenues and certain amounts held by the Trustee and an assignment of certain of the Authority rights and interests under the Loan Agreement. See “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS.”

In addition, the payment of the Bonds will be supported by the Letter of Credit. Under the Indenture, the Trustee will pay principal of and interest on the Bonds, and the Purchase Price of Unremarketed Bonds, from draws on the Letter of Credit. See “Letter of Credit” above.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES AND OTHER AMOUNTS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS (“ABAG”) OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF ITS MEMBERS TO PAY ALL OR ANY PORTION OF THE PRINCIPAL, PURCHASE PRICE, PREMIUM (IF ANY), AND INTEREST PAYABLE WITH RESPECT TO THE BONDS. THE BONDS (AND THE OBLIGATION TO PAY THE PRINCIPAL, PURCHASE PRICE, PREMIUM (IF ANY), AND INTEREST PAYABLE WITH RESPECT THERETO) DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT ARE PAYABLE SOLELY FROM THE REVENUES AND OTHER AMOUNTS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

Scope of Information in Official Statement

No financial or operating data concerning the Authority is material to an evaluation of the offering of the bonds or to any decision to purchase, hold, sell or tender Bonds and the Authority will not provide any such information.

Under the Indenture, payments of principal of and interest on the Bonds are to be made first and directly from draws on the Letter of Credit. The Foundation has no obligation under the Loan Agreement to make any payments with respect to the Purchase Price of Tendered Bonds. The Purchase Price of Tendered Bonds is payable only from the proceeds of the remarketing of such Bonds and from amounts made available under the Letter of Credit.

While the Bonds bear interest at a Weekly Interest Rate, investors should make any decisions with respect to the purchase, holding or tender of Bonds based on the credit of the Bank

and not the Foundation. As a result no financial or operating data with respect to the Foundation has been included in this Official Statement.

Book-Entry Only System

When delivered, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), which will act as securities depository for the Bonds. Purchases of the Bonds and tenders of Bonds for purchase may be made in book-entry form only, through brokers and dealers who are, or who act through, DTC Participants (as defined in Appendix A). Beneficial Owners (as defined in Appendix A) of the Bonds will not receive physical delivery of certificated securities. Principal of, premium, if any, Purchase Price of and interest on the Bonds are payable by the Trustee to DTC, which will in turn remit such payments to the DTC Participants, which will in turn remit such payments to the Beneficial Owners of the Bonds. In addition, so long as Cede & Co. is the registered owner of the Bonds, the right of any Beneficial Owner to exercise its right to tender its interest in any Bonds for purchase and receive payment therefor will be based only upon and subject to the procedures and limitations of the DTC book-entry-only system. See Appendix A – “BOOK-ENTRY ONLY SYSTEM.”

Interest on the Bonds

The Bonds will initially bear interest at a Weekly Interest Rate. The specific interest rate for each Interest Rate Period is to be determined by the Remarketing Agent, Banc of America Securities LLC, as provided in the Indenture. The Interest Payment Date for Bonds bearing interest at a Weekly Interest Rate is the first day of each calendar month. Payment of such interest will be made by check mailed or funds wired on each such Interest Payment Date (or the next succeeding Business Day, if such day is not a Business Day with the same effect as if made on such Interest Payment Date), all as further described herein, commencing November 3, 2003.

Tender of Bonds for Purchase

The Bonds are subject to optional and mandatory tender for purchase. See “TENDER OF BONDS FOR PURCHASE.” The Purchase Price of Tendered Bonds is payable solely from the proceeds of the remarketing of such Tendered Bonds and, in instances when such Tendered Bonds are not remarketed in an amount equal to the Purchase Price thereof, from amounts made available under the Letter of Credit.

If the Bonds are required to be tendered for purchase pursuant to the Indenture and moneys are available to pay the Purchase Price thereof on the Purchase Date, interest on such Bonds will cease to accrue for the benefit of the former Bondholder on the Purchase Date and such former Bondholder will be entitled only to the Purchase Price of such Bonds, payable only from the sources specified in the Indenture.

Redemption

The Bonds are subject to optional and mandatory redemption prior to maturity. See “REDEMPTION OF BONDS.” While the Indenture provides for the Trustee to give notice of the redemption of Bonds, the failure of a Bondholder to receive such notice, or the insufficiency of any such notice, will not affect the proceedings for redemption, and if moneys are available on the date fixed for redemption to pay the redemption price, interest on the Bonds to be redeemed will cease to accrue from and after the date fixed for redemption.

Continuing Disclosure

See “CONTINUING DISCLOSURE” for a discussion of the obligations of the Foundation as to continuing disclosure as contemplated by Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Certain Information Related to this Official Statement

The descriptions herein of the Indenture, the Loan Agreement and other agreements relating to the Bonds are qualified in their entirety by reference to such documents, and the description herein of the Bonds is qualified in its entirety by the form thereof and the information with respect thereto included in such documents. See Appendix B - “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for a brief summary of certain provisions of the Indenture and Loan Agreement.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Foundation or the Bank.

AT SUCH TIME THAT THE INTEREST RATE ON THE BONDS IS CONVERTED TO A TERM INTEREST RATE, THE TERMS OF THE BONDS UNDER CERTAIN PROVISIONS OF THE INDENTURE, INCLUDING THE PROVISIONS RELATING TO THE RIGHT OF THE BONDHOLDERS TO REQUIRE THE PURCHASE OF THE BONDS, MAY CHANGE. THIS OFFICIAL STATEMENT HAS BEEN PREPARED TO ASSIST PROSPECTIVE INVESTORS TO MAKE AN INVESTMENT DECISION WITH RESPECT TO BONDS BEARING INTEREST AT A WEEKLY INTEREST RATE WHILE THE LETTER OF CREDIT IS IN EFFECT. PROSPECTIVE INVESTORS SHOULD NOT RELY ON THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT WHEN MAKING AN INVESTMENT DECISION WITH RESPECT TO BONDS BEARING INTEREST AT A TERM INTEREST RATE OR WHEN THE BONDS ARE SECURED BY AN ALTERNATE LETTER OF CREDIT.

THE AUTHORITY

The Authority is a joint powers agency duly organized and existing under the laws of the State of California. The Authority was formed pursuant to the terms of a Joint Powers Agreement, dated as of April 1, 1990, as amended as of September 18, 1990 and June 9, 1992, and the Joint Exercise of Powers Act of the State (constituting Chapter 5, commencing with Section 6500, of Division 7 of Title 1 of the California Government Code) (the “Act”), in order to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of Authority members with purposes serving the public interest.

THE FOUNDATION

The Foundation is a non-profit public benefit California corporation that operates the KTEH television station for the benefit of the general public in the San Jose, California metropolitan area. Since 1964, the Foundation has existed as a public television station located in Northern California committed to providing on-air programming and support services in the community which educate, inform, entertain, and culturally enrich multicultural pre-school through adult audiences, assisting them in making decisions on issues which affect their lives. The Foundation is supported primarily through donor contributions.

The Foundation serves nearly two million viewers in almost 700,000 households per week. Carried on more than 100 cable systems, KTEH is seen throughout a 14-county Northern California viewing area.

THE PROJECT

The proceeds from the sale of the Bonds, net of underwriter's discount and costs of issuance thereof, will be deposited in the Project Fund and applied to the refinancing of certain debt of the Foundation and the financing and refinancing of programming rights and a portion of the costs of acquiring and installing equipment at three Foundation facilities to meet the federal mandate requiring all public television stations to begin broadcasting in a digital format. The financed equipment is to be installed at the following Foundation facilities: KTEH main studios – 1585 Schallenberger Road, San Jose, CA 95131; KTEH transmitter site – Monument Peak, Alameda County; and KCAH transmitter site – Fremont Peak, Monterey County.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds, together with other available moneys, are expected to be applied to the purposes described herein under the caption "THE PROJECT" as follows:

The sources and uses of funds are as follows:

Sources of Funds

Par Amount of the Bonds	\$ 10,000,000
Equity Contribution	<u>190,500</u>
Total Sources of Funds	\$ 10,190,500

Uses of Funds

Project Fund Deposit ⁽¹⁾	\$ 9,739,700
Costs of Issuance ⁽²⁾	<u>450,800</u>
Total Uses of Funds	\$ 10,190,500

⁽¹⁾ Includes approximately \$3,105,000 to refinance existing debt incurred by the Foundation relating to the Project.

⁽²⁾ Includes underwriter's discount and fees and expenses of the Authority, the Trustee, Bond Counsel, Underwriter's counsel, Foundation counsel, counsel to the Bank, counsel to the Authority, the Remarketing Agent, the rating agency, printing costs and certain payments associated with the Letter of Credit and the guaranty, as well as other fees and expenses incurred in connection with the issuance of the Bonds.

THE BONDS

General Description of the Bonds

The term of the Bonds will be divided into consecutive Interest Rate Periods, during each of which the Bonds will bear interest at Weekly Interest Rates or Term Interest Rates. The initial Interest Rate Period for the Bonds will be a Weekly Interest Rate Period during which the Bonds will bear interest at Weekly Interest Rates. The Bonds will continue in such Weekly Interest Rate Period until the Interest Rate Period for the Bonds is changed to a Term Interest Rate Period pursuant to the Indenture.

The Bonds will be issued in the aggregate principal amount, will be dated, and will mature as described on the cover page hereof. The principal, Purchase Price of, and interest on, the Bonds are payable to Beneficial Owners by DTC Participants through the facilities of DTC, New York, New York, while the Bonds are in the book-entry only system. Purchases of Bonds may be made only in

denominations of (i) \$100,000 or any integral multiple thereof during any Weekly Rate Period and (ii) \$100,000 or any integral multiple of \$5,000 in excess thereof during any Term Interest Rate Period of nine months or less, and \$5,000 or any integral multiple thereof during any Term Interest Rate Period of greater than nine months.

The Bonds will be issued in book-entry only form, registered in the name of Cede & Co., as nominee of DTC, as securities depository. No physical delivery of the Bonds will be made to the purchasers. So long as Cede & Co. is the registered owner of the Bonds, unless otherwise indicated herein, reference to Bondholders, Holders, Owners or Registered Owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the Bonds. See Appendix A — “BOOK-ENTRY ONLY SYSTEM” herein.

Both the principal of and premium, if any, on the Bonds will be payable upon maturity or redemption prior to maturity, as applicable, by check in lawful money of the United States of America upon the surrender thereof at the Principal Corporate Trust Office of the Trustee. The Trustee is authorized to pay the principal of the Bonds when duly presented for payment at maturity or redemption and to cancel all Bonds upon payment thereof. The Bank’s obligation under the Letter of Credit will be reduced by an amount equal to cancelled Bonds plus related interest coverage thereon.

INTEREST ON THE BONDS

General

The Bonds will bear interest from and including the date of delivery thereof. Interest accrued on the Bonds during each Interest Period will be paid as described below on the Interest Payment Date immediately succeeding such Interest Period, commencing November 3, 2003; provided, however, that if any Interest Payment Date is not a Business Day, such interest will be mailed or wired on the next succeeding Business Day, with the same effect as if made on such Interest Payment Date. Except during a Term Interest Rate Period of one year or longer, interest on the Bonds will be computed upon the basis of a 365-day or 366 day year, as applicable, for the number of days actually elapsed. During any Term Interest Rate Period of one year or longer, interest on the Bonds will be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

Payment of the interest on each Bond will be made to the person appearing on the Bond Register as the registered owner thereof as of the applicable Record Date, such interest to be paid by the Trustee to such Bondholder (i) by check mailed to such Bondholder’s address as it appears on the Bond Register or at such other address as has been furnished to the Bond Register in writing by such Bondholder not later than the Record Date, or (ii) upon written request (which written request will remain in effect until rescinded in writing by such Owner) received by the Trustee at least three Business Days prior to the applicable Record Date to the Holder of Outstanding Bonds aggregating not less than \$1,000,000 in principal amount, by wire transfer in immediately available funds at an account maintained in the United States at such wire address as such Bondholder will specify in its written notice (any such written request will remain in effect until rescinded in writing by such Bondholder); except, in each case, that, if and to the extent that there is a default in the payment of the interest due on such Interest Payment Date, such defaulted interest will be paid to the Bondholder in whose name any such Bonds are registered on the Bond Register at the close of business on the fifth Business Day next preceding the date of payment of such defaulted interest. Each Bond shall bear interest from the Interest Payment Date immediately preceding the date of authentication thereof; provided, if any Bond is authenticated as of a day during the period from the day after the Record Date immediately preceding an Interest Payment Date to such Interest Payment Date, inclusive, such Bond will bear interest from such Interest Payment Date; provided, however, that if there is a default in the payment of interest due on such Interest Payment Date, then such

Bond will bear interest as provided in the preceding sentence. Both the principal of and premium, if any, on the Bonds will be payable upon surrender thereof at the Principal Corporate Trust Office of the Trustee.

Notwithstanding the foregoing, Bank Bonds will bear interest and be payable as set forth in the Reimbursement Agreement, dated as of September 1, 2003 (the "Reimbursement Agreement"), by and between the Bank and the Foundation.

Determination of Weekly Interest Rate

During each Weekly Interest Rate Period for the Bonds, the Bonds will bear interest at Weekly Interest Rates determined pursuant to the Indenture. Except as otherwise provided in the Indenture, the Weekly Interest Rate for each calendar week will be determined by the Remarketing Agent not later than 5:00 p.m. (New York City time) on the Wednesday immediately preceding such calendar week (or by 12:00 noon (New York City time) on the next succeeding Business Day if such Wednesday is not a Business Day) for the week commencing on that next succeeding Thursday (unless such Weekly Interest Rate is determined on a Thursday in which case it will be effective on such day); provided, however, that the initial Weekly Interest Rate for the Bonds will be determined by the Remarketing Agent on or prior to the Issue Date and provided further that if the Bonds are to be adjusted to a Weekly Interest Rate Period from a Term Interest Rate Period, the Weekly Interest Rate for the initial calendar week of such Weekly Interest Rate Period will be determined not later than the Business Day next preceding the effective date of such Weekly Interest Rate Period; provided further that if the Weekly Interest Rate would otherwise be required to change during the last four Business Days prior to an Interest Payment Date, the Weekly Interest Rate will not change until such Interest Payment Date.

The Weekly Interest Rate for the Bonds will be the rate determined by the Remarketing Agent (on the basis of examination of obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on such day at a price equal to the principal amount thereof plus accrued interest; provided, however, that if for any reason the Weekly Interest Rate cannot be determined, the Weekly Interest Rate for the next succeeding week will remain at the then-existing rate and the Weekly Interest Rate for each succeeding week for which a Weekly Interest Rate cannot be determined will be a percent per annum equal to the Variable Index. The initial Weekly Interest Rate determined for the initial Weekly Interest Rate Period and for the first Weekly Interest Rate Period following an adjustment to a Weekly Interest Rate Period will apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Wednesday. Thereafter, each succeeding Weekly Interest Rate will apply to the period commencing on Thursday and ending on the next succeeding Wednesday, unless such Weekly Interest Rate Period ends on a day other than Wednesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period will apply to the period commencing on the Thursday preceding the last day of such Weekly Interest Rate Period and ending on such last day. In no event shall the Weekly Interest Rate exceed the Maximum Rate. Upon determination of each Weekly Interest Rate, the Indenture provides that Remarketing Agent is to give notice to the Trustee and the Bank of such Weekly Interest Rate.

Determination of Term Interest Rate

During each Term Interest Rate Period for the Bonds, the Bonds will bear interest at the applicable Term Interest Rate, which will be determined by the Remarketing Agent not later than 4:00 p.m. (New York City time) on the Business Day preceding the first day of such Term Interest Rate Period. The Term Interest Rate for the Bonds will be the rate determined by the Remarketing Agent (on

the basis of examination of obligations comparable to the Bonds known to the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell the Bonds on such Business Day at a price equal to the principal amount thereof; provided, however, that if for any reason the Term Interest Rate cannot be determined for any Term Interest Rate Period, the Interest Rate Period on the Bonds will automatically convert to a Weekly Interest Rate and the Remarketing Agent will determine the Weekly Interest Rate for such Weekly Interest Rate Period on such date in accordance with the Indenture. In no event will the Term Interest Rate exceed the Maximum Rate.

Interest Rate in Event of Default

Notwithstanding anything in the Indenture to the contrary, if an Event of Default has occurred and is continuing, the interest rate on the Bonds will be the rate on the Bonds on the day prior to the occurrence of such Event of Default.

Determination of Interest Rates are Conclusive and Binding

The determination of the interest rate on the Bonds by the Remarketing Agent will be conclusive and binding upon the Bondholders, the Authority, the Bank and the Trustee.

CHANGE OF INTEREST RATE PERIOD

Adjustment to and Continuation of a Term Interest Rate Period

The Foundation, by written direction to the Trustee and the Remarketing Agent, accompanied by an Approving Opinion, and with the written consent of the Authority and the Bank, may elect that the Interest Rate Period for the Bonds will be a Term Interest Rate Period, and will determine the duration of any such new Term Interest Rate Period (which will be one of the periods specified in the definition “Term Interest Rate Period”). Such direction (a) will specify the effective date of such Term Interest Rate Period which will be (1) the Interest Payment Date which is not less than 40 days following the receipt by the Trustee of such direction if the Bonds are to be adjusted from a Weekly Interest Rate Period to a Term Interest Rate Period; or (2) the Interest Payment Date that is the day next succeeding the last day of the then-current Term Interest Rate Period which is not less than 40 days following the date of receipt by the Trustee of such direction in the case of an adjustment from or continuation of a Term Interest Rate Period, or (3) any date on which the Bonds may be optionally redeemed pursuant to the Indenture as described herein under the caption “REDEMPTION OF BONDS – Redemption – Optional Redemption During Term Interest Rate Period” not less than 40 days following the date of receipt by the Trustee of such direction; and (b) will specify the last day thereof. If, at least 40 days prior to the last day of any Term Interest Rate Period, the Foundation shall not have elected that the Bonds bear interest at a Weekly Interest Rate or a Term Interest Rate during the next succeeding Interest Rate Period, the next succeeding Interest Rate Period shall be a Term Interest Rate Period of the same duration as the immediately preceding Term Interest Rate Period.

Notwithstanding anything else provided in the Indenture, the Foundation will not adjust the Interest Rate Period on the Bonds to a Term Interest Rate Period unless (a) the Letter of Credit then in effect with respect to the Bonds has been modified, as necessary, to provide interest coverage sufficient to provide for all interest to accrue on the Bonds as of each Interest Payment Date during and immediately succeeding such Term Interest Rate Period plus ten (10) additional days at the Term Interest Rate for such Term Interest Rate Period or such additional interest coverage as may be necessary to maintain the rating on the Bonds, and the remaining term of such Letter of Credit is at least equal to the length of such Term Interest Rate Period—provided, however, that no Letter of Credit will be required in connection with the

adjustment of the Bonds to a Term Interest Rate Period which ends on the day immediately preceding the maturity date of the Bonds if the conditions to the termination of the Foundation's obligation to maintain a Letter of Credit with respect to the Bonds set forth in the Loan Agreement have been satisfied or written consent of the Authority to such adjustment in the absence of a Letter of Credit is provided—and (b) with respect to a Term Interest Rate Period of greater than nine months, the Trustee and the Authority have received prior to the effective date of such Term Interest Rate Period a continuing disclosure agreement imposing obligations upon the Foundation or any other responsible party to comply with the requirements of Rule 15c2-12 with respect to the Bonds, as provided in the Loan Agreement.

Notice of Adjustment to Term Interest Rate Period

The Trustee will give notice by mail of each adjustment of the Bonds to a Term Interest Rate Period to the Bondholders, the Authority, the Bank and the Foundation not less than 30 days prior to the effective date of such Term Interest Rate Period. Such notice will state (1) that the interest rate on the Bonds will be adjusted to or continue to be a Term Interest Rate, (2) the effective date of such Term Interest Rate Period, (3) the day by which the Term Interest Rate for such Term Interest Rate Period will be determined, (4) the manner by which such Term Interest Rate may be obtained, (5) the Interest Payment Dates with respect to such Term Interest Rate Period, (6) that the Bonds will be purchased on such effective date pursuant to the Indenture, subject to the right of the Owners or Beneficial Owners of Bonds to direct the Trustee not to purchase such Bonds on such effective date, (7) the procedures for the purchase described in (6) above, (8) the redemption provisions that will pertain to the Bonds during such Term Interest Rate Period, (9) the ratings which are expected to be assigned to the Bonds upon such adjustment to a Term Interest Rate Period and (10) whether a Letter of Credit will be in effect with respect to the Bonds upon such adjustment to a Term Interest Rate Period and, if so, identifying such Letter of Credit and its material terms.

Failure of Conditions to Convert to Term Interest Rate Period

Notwithstanding anything in the Indenture to the contrary, if the conditions to adjust the Bonds to a Weekly Interest Rate Period or to a Term Interest Rate Period are not satisfied, then the Interest Rate Period that will commence on the mandatory purchase of the Bonds on the effective date specified in the related notice of adjustment delivered to Bondholders pursuant to the Indenture will automatically be an Interest Rate Period of the same duration as the immediately preceding Interest Rate Period and the Remarketing Agent will determine the interest rate to apply to the Bonds commencing on such adjustment date.

Adjustment to Weekly Interest Rate Period

The Foundation, by written direction to the Trustee and the Remarketing Agent, accompanied by an Approving Opinion and the written consent of the Bank and the Authority, may elect to adjust the Interest Rate Period for the Bonds from a Term Interest Rate Period to a Weekly Interest Rate Period. Such direction will specify the effective date of such adjustment to a Weekly Interest Rate Period, which will be (a) the Interest Payment Date next succeeding the last day of the then-current Term Interest Rate Period (or the Business Day next succeeding such Interest Payment Date if not a Business Day) which is not less than 40 days following the date of receipt by the Trustee of such direction, or (b) any date on which the Bonds may be optionally redeemed pursuant to the Indenture not less than 40 days following the date of receipt by the Trustee of such direction.

Notice of Adjustment to Weekly Interest Rate Period

The Trustee will give notice by mail of an adjustment of the Bonds to a Weekly Interest Rate Period to the Bondholders, the Bank, the Remarketing Agent, the Authority and the Foundation not less than 30 days prior to the effective date of such Weekly Interest Rate Period. Such notice will state (1) that the Interest Rate Period on the Bonds will be adjusted to a Weekly Interest Rate Period, (2) the effective date of such Weekly Interest Rate Period, (3) the day by which the initial Weekly Interest Rate for such Weekly Interest Rate Period will be determined and the manner by which the Weekly Interest Rates for such Weekly Interest Rate Period may be obtained, (4) the Interest Payment Dates with respect to such Weekly Interest Rate Period, (5) that the Bonds will be purchased on such effective date pursuant to the Indenture, except for those Bonds, the Owners or Beneficial Owners of which have given irrevocable notice to the Tender Agent in accordance with the Indenture not to purchase such Bonds not less than seven days prior to such effective date, (6) the procedures for such purchase as provided in (5) above, (7) that, subsequent to such effective date, the Bondholders or the Beneficial Owners will have the right to demand purchase of the Bonds upon not less than seven days' notice, (8) the procedures for a demand for purchase as provided in (7) above, (9) the redemption provisions that will pertain to the Bonds during such Weekly Interest Rate Period, and (10) the ratings which are expected to be assigned to the Bonds upon such effective date.

TENDER OF BONDS FOR PURCHASE

Book-Entry System for Bonds

Notwithstanding anything to the contrary herein, so long as Cede & Co. is the registered owner of the Bonds, the right of any Beneficial Owner to exercise its right to tender its interest in any Bonds for purchase and receive payment therefor will be based only upon and subject to the procedures and limitations of the DTC book-entry-only system, as such procedures may be amended from time to time. References below to Bondholders are to Cede & Co. as nominee of DTC and not the Beneficial Owners. See Appendix A — “BOOK-ENTRY ONLY SYSTEM.”

Option to Tender for Purchase During Weekly Interest Rate Period

During any Weekly Interest Rate Period, any Bond or portion thereof in an Authorized Denomination may be tendered for purchase at the option of the Holder thereof (or while the Bonds are Book-Entry Bonds, at the option of the Beneficial Owner thereof exercised through the DTC Participant through whom such Beneficial Owner holds a beneficial interest in such Bonds, all in accordance with the procedures and limitations of the DTC book-entry-only system) on any Business Day (the “Optional Tender Date”) at the Purchase Price thereof, payable from the sources specified in the Indenture in immediately available funds, but only upon (i) receipt by the Remarketing Agent and the Tender Agent by not later than 5:00 p.m. (New York City time) at least seven calendar days or five Business Days, whichever is earlier, but not more than thirty (30) days, prior to such Optional Tender Date of irrevocable Electronic Notice or telephonic notice (followed, if requested by the Remarketing Agent or the Tender Agent, by written or facsimile confirmation delivered to the Remarketing Agent and the Tender Agent no later than the close of business on the next succeeding Business Day) or other irrevocable written notice from the Holder (or while the Bonds are Book-Entry Bonds, the DTC Participant through whom such Beneficial Owner holds a beneficial interest in such Bonds, all in accordance with the procedures and limitations of the DTC book-entry-only system) stating (1) the principal amount of the Bond (or portion thereof) to be tendered, (2) the Bond number or other identification satisfactory to the Remarketing Agent, and (3) the Optional Tender Date on which such Bond will be tendered; and (ii) if the Bonds are not Book-Entry Bonds, delivery of such Bond (with an appropriate instrument of transfer duly executed in blank) to the Tender Agent by 1:00 p.m. (New York City time) on such Optional Tender Date.

If any Bond is to be purchased in part pursuant to the above paragraph, the amount so purchased and the amount not so purchased, if any, must each be an Authorized Denomination.

Any notice of tender of Bonds delivered to the Trustee will be irrevocable with respect to the purchase for which such notice was delivered and will be binding upon any subsequent Bondholder or Beneficial Owner or Direct Participant of the Bonds to which it relates, including any Bond issued in exchange therefor or upon the registration of transfer thereof, and as of the date of such notice, the Holder or Beneficial Owner of the Bonds specified therein will not have any right to optionally tender for purchase such Bonds prior to the date of purchase specified in such notice.

Mandatory Tender for Purchase of Bonds

Generally. The Bonds will be subject to mandatory tender for purchase at the applicable Purchase Price, payable from the sources specified in the Indenture in immediately available funds, upon the occurrence of any of the events listed below:

- (i) on the effective date of each Interest Rate Period upon conversion of the Bonds to a Term Interest Rate or Weekly Interest Rate;
- (ii) on the effective date of an Alternate Letter of Credit with respect to the Bonds pursuant to the Loan Agreement;
- (iii) on a Business Day which is no later than five (5) Business Days following receipt by the Trustee of a notice from the Bank providing the Letter of Credit then in effect with respect to the Bonds that an event of default has occurred and is continuing under the Reimbursement Agreement and requesting the Trustee to cause the mandatory tender of all Bonds Outstanding for purchase; or
- (iv) on a Business Day which is no later than five (5) Business Days following receipt by the Trustee of a notice from The David and Lucile Packard Foundation (the “Guarantor”) providing that an event of default has occurred and is continuing under the Guaranty Reimbursement Agreement, dated as of September 1, 2003 (the “Guaranty Reimbursement Agreement”), by and between the Guarantor and the Foundation, and requesting the Trustee to cause the mandatory tender of all Bonds Outstanding for purchase.

Direction Not To Purchase. With respect to a mandatory tender for purchase precipitated by the events described in subparagraphs (i) and (ii) above, Owners or Direct Participants as of the close of business on the seventh Business Day immediately preceding each date referred to in subparagraphs (i) and (ii) above, as applicable, may direct the Trustee not to purchase their Bonds, or a portion of principal amount thereof in Authorized Denominations, on the Purchase Date provided above by delivering to the Trustee, at its Principal Corporate Trust Office, on or prior to such seventh Business Day prior to such Purchase Date an instrument or instruments in writing signed by the Owner thereof (1) specifying the numbers and denominations of Bonds owned by such Owner, (2) acknowledging receipt of notice of the new Interest Rate Period or the substitution of the then Letter of Credit with an Alternate Letter of Credit, (3) directing the Trustee not to purchase such Bonds or a portion thereof, prior to the Purchase Date, (4) agreeing not to sell such Bonds or any portion thereof prior to the Purchase Date, (5) agreeing not to exercise any tender applicable to such Bonds prior to the Purchase Date, (6) acknowledging that such waiver is irrevocable, (7) when applicable, acknowledging that the rating on the Bonds will be lowered or withdrawn, and (8) when applicable, acknowledging that a current right to tender the Bonds will not be available after the Purchase Date.

Any such instrument delivered to the Trustee or Tender Agent shall be irrevocable with respect to the mandatory purchase for which such instrument was delivered and shall be binding upon any subsequent registered Owner or Direct Participant to which it relates, including any Bond issued in exchange thereof or upon the registration of transfer thereof and as of the date of such instrument, the Owner or Direct Participant of the Bonds specified therein shall not have any right to tender for purchase such Bonds prior to the date of the purchase specified in such notice.

Notices of Mandatory Tender for Purchase. The Trustee will give notice by mail to the Holders of the Bonds subject to mandatory tender for purchase as a result of the occurrence of any event described in subparagraph (i) above and to the Bank, not later than the 30th day prior to the date on which such Bonds are subject to such mandatory tender for purchase, which notice will be in the form of the notice required by the Indenture.

If the Trustee has received a copy of a commitment to issue an Alternate Letter of Credit, the Trustee will give notice by mail to the Holders of the Bonds and to the Bank not later than the 15th day prior to the date on which the Bonds are subject to mandatory tender as a result of the occurrence of any event described in subparagraph (ii) above, which notice will state the expected effective date of such Alternate Letter of Credit, that the Bonds will be subject to mandatory tender for purchase on the date specified in such notice, in accordance with the Indenture, and the material terms of such Alternate Letter of Credit.

The Trustee will give notice by mail to the Holders of the Bonds subject to mandatory tender as the result of the occurrence of the event described in subparagraph (iii) above and to the Bank not later than two (2) Business Days following the receipt of the notice from the Bank described in subparagraph (iii) above, which notice will state (i) that the Trustee has received a notice from the Bank that an event of default has occurred and is continuing under the Reimbursement Agreement and requesting the Trustee to cause the mandatory tender for purchase of the Bonds and (ii) that the Bonds are subject to mandatory tender for purchase in accordance with the Indenture on the date determined as specified in subparagraph (iii) above, which date will be specified in such notice.

The Trustee will give notice by mail to the Holders of the Bonds subject to mandatory tender as the result of the occurrence of the event described in subparagraph (iv) above and to the Guarantor not later than two (2) Business Days following the receipt of the notice from the Guarantor described in subparagraph (iv) above, which notice will state (i) that the Trustee has received a notice from the Guarantor that an event of default has occurred and is continuing under the Guarantor Reimbursement Agreement and requesting the Trustee to cause the mandatory tender for purchase of the Bonds and (ii) that the Bonds are subject to mandatory tender for purchase in accordance with the Indenture on the date determined as specified in subparagraph (iv) above, which date will be specified in such notice.

Upon the giving of notice to Bondholders of the mandatory tender of the Bonds for purchase pursuant to the Indenture, the Bonds will be subject to mandatory tender for purchase notwithstanding that the events described in such notice have not occurred on the Purchase Date specified in such notice, including the failure to change the Interest Rate Period for such Bonds or the curing of any event of default or termination under the Reimbursement Agreement then in effect with respect to the Bonds.

Remarketing of Tendered Bonds

Weekly Put Bonds. Not later than 10:30 a.m. (New York City time) on each Business Day succeeding a day on which the Trustee receives a notice from a Holder of Bonds to be optionally tendered pursuant to the Indenture (the “Weekly Put Bonds”), the Trustee will give notice by telephone to the Remarketing Agent, specifying the principal amount of Bonds for which it has received such notice, the

names of the Holder or Holders thereof and the Purchase Date. The Remarketing Agent will thereupon offer for sale at par and use its best efforts to find purchasers for such Weekly Put Bonds, other than Bank Bonds (which will be remarketed pursuant to the Indenture), subject to the limitations described below.

Not later than 11:00 a.m. (New York City time) on the Business Day immediately preceding the Purchase Date described in the immediately preceding paragraph, the Trustee will give notice by telephone to the Remarketing Agent of the accrued amount of the interest payable as of such Purchase Date, and confirming the aggregate principal amount of, the Weekly Put Bonds.

Not later than 11:30 a.m. (New York City time) on each Purchase Date for Weekly Put Bonds, the Remarketing Agent will give Electronic Notice (promptly confirmed in writing) to the Foundation and the Trustee of the amount of remarketing proceeds that the Remarketing Agent has received and the principal amount of Weekly Put Bonds which have not been remarketed in accordance with the Remarketing Agreement.

If the Remarketing Agent's notice pursuant to the immediately preceding paragraph indicates that the Remarketing Agent has less remarketing proceeds than are needed to purchase all the Weekly Put Bonds to be purchased on any Purchase Date, the Trustee will demand payment under the Letter of Credit prior to 12:30 p.m. (New York City time) on such Purchase Date so as to provide by 2:30 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent as described in the immediately preceding paragraph, to pay the Purchase Price of the Weekly Put Bonds. The Trustee will immediately after such demand for payment give notice to the Foundation of the amount, if any, of such demand.

Mandatory Tender Bonds. Not later than 9:30 a.m. (New York City time) on each Purchase Date occurring pursuant to the Indenture, the Trustee will give notice by telephone to the Remarketing Agent specifying the principal amount of all Outstanding Bonds which are subject to mandatory tender on such Purchase Date pursuant to the Indenture (the "Mandatory Tender Bonds") and the names of the Registered Owners thereof. The Remarketing Agent will thereupon offer for sale at par and use its best efforts to find purchasers for such Mandatory Tender Bonds, other than Bank Bonds (which will be remarketed pursuant to the Indenture), subject to the limitation described below.

Not later than 10:00 a.m. (New York City time) on each Purchase Date described in the immediately preceding paragraph, the Trustee will give notice by telephone to the Remarketing Agent of the accrued amount of the interest payable as of the Purchase Date specified in such notice from the Trustee on, and confirming the aggregate principal amount of, the Mandatory Tender Bonds.

Not later than 11:30 a.m. (New York City time) on each Purchase Date with respect to Mandatory Tender Bonds, the Remarketing Agent will give Electronic Notice (promptly confirmed in writing) to the Foundation and the Trustee of the amount of remarketing proceeds that the Remarketing Agent has received and the principal amount of Mandatory Tender Bonds which have not been remarketed in accordance with the Remarketing Agreement.

If the Remarketing Agent's notice described in the immediately preceding paragraph indicates that such Remarketing Agent has less remarketing proceeds than are needed to purchase all the Mandatory Tender Bonds to be purchased on such Purchase Date, the Trustee will demand payment under the Letter of Credit then in effect with respect to the Mandatory Tender Bonds prior to 12:30 p.m. (New York City time) on such Purchase Date so as to provide by 2:30 p.m. (New York City time) on such Purchase Date an amount sufficient, together with the remarketing proceeds to be available for such purchase, calculated solely on the basis of the notice given by the Remarketing Agent described in the

immediately preceding paragraph, to pay the Purchase Price of the Mandatory Tender Bonds. The Trustee will immediately after such demand for payment give notice to the Foundation of the amount, if any, of such demand.

Limitations. If a Letter of Credit is in effect with respect to the Bonds, the Remarketing Agent will not remarket any tendered Bonds to the Authority, the Foundation or any affiliate of the Foundation, and the Remarketing Agent will not remarket any tendered Bonds if there has occurred and be continuing an Event of Default of the nature specified in the Indenture of which it has received notice or if the Trustee has received notice from the Bank that an event of default under the Reimbursement Agreement has occurred and is continuing.

Bank Bonds. Any Bonds purchased with payments made under a Letter of Credit pursuant to the Indenture will be registered in the name of, or as otherwise directed by, the Bank and delivered to, or upon the order of, or as otherwise directed by, the Bank; provided, that if such Bonds are Book-Entry Bonds, the Trustee will immediately upon making any demand for payment on such Letter of Credit pursuant to the Indenture direct DTC to cause any Bonds purchased with the proceeds of such demand to be transferred to such account at DTC as directed by the Bank, and such Bonds will be held in the name of or for the account of the Bank or as may be directed by the Bank.

Unless otherwise provided in the Letter of Credit, Bank Bonds will be remarketed by the Remarketing Agent prior to any other Bonds tendered for purchase under the Indenture, and will be remarketed at par in accordance with the terms of the Remarketing Agreement. Upon (i) receipt by the Trustee of written notification from the Bank that the Letter of Credit has been fully reinstated with respect to principal and interest and (ii) release by the Bank of any Bank Bonds which the Remarketing Agent has remarketed, such Bonds will be made available to the purchasers thereof and will no longer constitute Bank Bonds for purposes of the Indenture. The proceeds of any remarketing of Bank Bonds will be paid to the Bank by the Trustee on such remarketing date in immediately available funds.

Notwithstanding anything to the contrary in the Indenture or in the Bonds, all obligations of the Foundation under or in connection with any Letter of Credit (including, without limitation, reimbursement obligations of the Foundation to the Bank with respect to a Letter of Credit and any Bank Bonds) will be governed by the terms of such Reimbursement Agreement.

Deposits into Remarketing Account. The terms of any remarketing by the Remarketing Agent of tendered Bonds will provide for the payment of the Purchase Price for tendered Bonds by the Remarketing Agent to the Trustee for deposit in the in the Remarketing Account of the Bond Purchase Fund in immediately available funds at or before 2:00 p.m. (New York City time) on the Purchase Date. The Remarketing Agent will cause to be paid to the Trustee on each Purchase Date for tendered Bonds the amount specified in the notice given by the Remarketing Agent pursuant to the Indenture.

Deposits into Letter of Credit Purchase Account. The Trustee will deposit in the Letter of Credit Purchase Account the proceeds of each draw on a Letter of Credit to pay the Purchase Price of the Bonds.

Disbursements from the Bond Purchase Fund

Application of Moneys. Moneys in the Bond Purchase Fund (other than the proceeds of any remarketing of Bank Bonds which will be paid to the Bank on the remarketing date) will be applied at or before 4:00 p.m. (New York City time) to the purchase of Bonds as provided in the Indenture by the Trustee, on each Purchase Date, as follows:

First -- Moneys constituting funds in the Remarketing Account will be used by the Trustee on each Purchase Date to purchase tendered Bonds at the Purchase Price thereof.

Second -- In the event moneys in the Remarketing Account on any Purchase Date are insufficient to purchase all tendered Bonds, moneys in the Letter of Credit Purchase Account on such Purchase Date will be used by the Trustee to purchase such remaining tendered Bonds at the Purchase Price thereof.

Notwithstanding anything to the contrary in the Indenture, if the Bonds are Book-Entry Bonds, payment of the Purchase Price for tendered Bonds will be made in accordance with the rules and procedures of DTC.

Nondeliveries. The Trustee will, as to any Bonds which have not been delivered to it as required by the Indenture, (i) notify the Remarketing Agent in writing of such nondelivery and (ii) place a stop transfer against an appropriate amount of Bonds registered in the name of the Holder of such Bonds on the Bond Register. The Trustee will place and maintain such stop transfer commencing with the lowest serial number Bond registered in the name of such Holder until stop transfers have been placed against an appropriate amount of Bonds until the appropriate Bonds are delivered to the Trustee. Upon such delivery, the Trustee will make any necessary adjustments to the Bond Register.

Limitation. Notwithstanding anything contained in the Indenture to the contrary, while any Letter of Credit is in effect for the Bonds the Trustee will not use proceeds known to the Trustee to be obtained by remarketing any Bonds to the Foundation, any affiliate of the Foundation or the Authority to pay any portion of the Purchase Price of the tendered Bonds, and no such proceeds will be deposited in the Remarketing Account.

Delivery of Remarketed Bonds

If the Bonds are Book-Entry Bonds, transfer of ownership of the remarketed Bonds will be effected in accordance with the procedures of DTC and the DTC Participants against delivery of funds for deposit into the Remarketing Account of the Bond Purchase Fund equal to the Purchase Price of such Bonds that have been remarketed. If the Bonds are not Book-Entry Bonds, a principal amount of Bonds equal to the amount of Bonds successfully remarketed by the Remarketing Agent will be delivered by the Trustee to such persons as are designated by the Remarketing Agent. Such Bonds will be held available at the Principal Corporate Trust Office of the Trustee and will be picked up by the Remarketing Agent at or after 3:00 p.m. (New York City time) on the Purchase Date against delivery of funds for deposit into the Remarketing Account of the Bond Purchase Fund equal to the Purchase Price of such Bonds that have been remarketed.

Bonds purchased with funds in the Letter of Credit Purchase Account of the Bond Purchase Fund will be delivered and held in accordance with the Indenture. Such Bonds will be held available for registration of transfer and delivery by the Trustee in such manner as may be agreed between the Trustee and the Bank.

REDEMPTION OF BONDS

Redemption

The Bonds are subject to redemption prior to maturity as set forth below; provided, however, that no optional redemption may occur without the written consent of the Bank.

Optional Redemption Upon Occurrence of Extraordinary Events. The Bonds may be redeemed prior to their stated maturity, as a whole or in part, on any date, from moneys deposited in the Redemption Account pursuant to provisions of the Loan Agreement which provide that the proceeds of any casualty insurance or title insurance with respect to any of the Facilities (as defined in the Indenture) or any condemnation award (or settlement in lieu of condemnation) with respect to any property of the Foundation, in either case exceeding \$250,000, will be applied, at the option of the Foundation, either to the redemption of the Bonds or to the repair or replacement of the Facilities with respect to which such insurance proceeds or condemnation reward is received, at a redemption price equal to the principal amount thereof together with interest accrued thereon to the date fixed for redemption (without premium), which amounts are to be paid, if a Letter of Credit is in effect with respect to the Bonds, from draws on such Letter of Credit and, if there is no Letter of Credit in effect with respect to the Bonds, from other Available Moneys.

Optional Redemption During Weekly Interest Rate Period and on Change of Rate Periods. On any Interest Payment Date during a Weekly Interest Rate Period and on the effective date of any Term Interest Rate Period, the Bonds may be redeemed by the Trustee, at the option of the Authority exercised upon the request of Foundation, in whole or in part, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date of redemption.

Optional Redemption During Term Interest Rate Period. On any Interest Payment Date during any Term Interest Rate Period, the Bonds also will be subject to redemption in whole or from time to time in part, at the option of the Authority exercised upon the request of the Foundation, at the times (measured from the first day of the applicable Term Interest Rate Period), and at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued interest, if any, to the date fixed for redemption:

<u>(Lesser of) Length of Term Interest Rate Period or Length of Time to Maturity</u>	<u>Redemption Dates and Prices</u>
Greater than 10 years	After 10 years at 102%, declining annually by 1% to 100%
Less than or equal to 10 and greater than 7	After 5 years at 102%, declining annually by 1% to 100%
Less than or equal to 7 and greater than 4	After 3 years at 102%, declining annually by 1% to 100%
Less than or equal to 4	Non callable

Notwithstanding the optional redemption schedule set forth above, on or prior to the effective date of the Term Interest Rate Period, the Remarketing Agent may establish an alternate optional redemption and/or mandatory sinking fund redemption schedule if it obtains an Opinion of Bond Counsel stating to the effect that such alternate schedule will not cause interest on the Bonds not to be excluded from gross income for federal income tax purposes and the consent of the Bank.

Optional Redemption Pursuant to Reimbursement Agreement. The Foundation has agreed in the Reimbursement Agreement to cause the optional redemption of a portion of the Bonds on or prior to the dates and in the amounts reflected in the Reimbursement Agreement, as such Reimbursement Agreement may be amended or replaced from time to time.

Mandatory Redemption for Failure to Renew Letter of Credit. The Bonds will be redeemed in whole, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption (without premium), in the event that the Letter of Credit is not renewed or a

notice of expected delivery of an Alternate Letter of Credit is not delivered to the Trustee at least 40 days prior to the scheduled expiration of the Letter of Credit, or such Alternate Letter of Credit is not actually delivered on a Business Day at least 20 days prior to such expiration date, on a redemption date selected by the Trustee at least five (5) days, (or if such day is not a Business Day then on the next succeeding Business Day) preceding the expiration date of the Letter of Credit.

Selection of Bonds for Redemption

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee is required to select the Bonds to be redeemed from the outstanding Bonds not previously called for redemption (which portion thereof to be redeemed need not be in an Authorized Denomination during a Weekly Interest Rate Period), by lot; provided that all Bonds remaining Outstanding will be in an Authorized Denomination, and provided further that so long as moneys are available therefor in the Revenue Fund or the Project Fund from sources other than a drawing on the letter of Credit, the Trustee will redeem Outstanding Bank Bonds prior to redeeming other Bonds.

Notice of Redemption

Notice of redemption will be given by the Trustee to (i) the respective holders of any Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, (ii) the Information Services and (iii) the Securities Depositories. Each notice of redemption will state the date fixed for redemption, the place or places of redemption, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after the date fixed for redemption interest thereon will cease to accrue, and will require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Any notice of redemption will be mailed by first class mail, postage prepaid, to Bondholders not less than 30 days (or 15 days in the event of a redemption relating to non-delivery of an Alternate Letter of Credit or the non-renewal of the Letter of Credit) or more than 60 days prior to the date fixed for redemption. Notices to the Information Services, Securities Depository or the Tender Agent will be mailed by the Trustee by certified, first-class or overnight mail at the time of the mailing of notices to Bondholders. Additionally, in the case of a mandatory redemption relating to the failure to renew the Letter of Credit such notice of redemption may be withdrawn if an Alternate Letter of Credit is delivered to the Trustee at least five (5) days prior to the stated redemption date. A notice of redemption relating to a mandatory redemption for failure to renew the Letter of Credit (as described above) may be withdrawn by the Trustee at the direction of the Foundation if an Alternate Letter of Credit is actually delivered to the Trustee at least five (5) days prior to the stated date fixed for redemption.

Failure by the Trustee to give notice of redemption, or the insufficiency of any such notice, will not affect the sufficiency of the proceedings for redemption of any Bond for which notice was properly given.

Partial Redemption of Bonds

Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the holder thereof, at the expense of the Foundation, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Effect of Redemption

Moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable at the redemption price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption will cease to accrue from and after the redemption date, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Holders of said Bonds will have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the redemption date from such moneys held by the Trustee for such purpose.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Sources of Payment

The Bonds are special obligations of the Authority. The principal, premium, if any, and interest on the Bonds are payable solely from the Revenues received by the Authority from the Foundation pursuant to the Loan Agreement and the other amounts pledged therefor under the Indenture, including the proceeds of draws on the Letter of Credit or any Alternate Letter of Credit then in effect with respect to the Bonds. Under the Indenture, the Trustee is to draw on the Letter of Credit to pay when due the principal of and interest on the Bonds. The Purchase Price of Tendered Bonds is payable only from the proceeds of the remarketing of such Tendered Bonds and, with respect to Unremarketed Bonds, draws on the Letter of Credit. See Appendix B - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" for a summary of the terms of the Indenture and the Loan Agreement, including the obligation of the Foundation to make payments thereunder with respect to the Bonds. The Letter of Credit for the Bonds will be an irrevocable letter of credit to be issued by the Bank. See "—Security – Terms of Letter of Credit," "REIMBURSEMENT AGREEMENT" and "THE BANK" for further information on the Letter of Credit and the Bank.

While the Bonds are in a Weekly Interest Rate Period and supported by the Letter of Credit, investors should make any decision with respect to the purchase, holding or tender of Bonds based on the credit of the Bank and not the Foundation. As a result, no financial or operating data with respect to the Foundation has been included in this Official Statement. See "INTRODUCTION – Scope of Information in Official Statement."

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE OF REVENUES AND OTHER AMOUNTS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NONE OF THE AUTHORITY, THE ASSOCIATION OF BAY AREA GOVERNMENTS ("ABAG") OR THE MEMBERS OF THE AUTHORITY OR ABAG SHALL BE DIRECTLY OR INDIRECTLY OR CONTINGENTLY OR MORALLY OBLIGATED TO USE ANY MONEYS OR ASSETS OF THE AUTHORITY, ABAG OR ANY OF ITS MEMBERS TO PAY ALL OR ANY PORTION OF THE PRINCIPAL, PURCHASE PRICE, PREMIUM (IF ANY), AND INTEREST PAYABLE WITH RESPECT TO THE BONDS. THE BONDS (AND THE OBLIGATION TO PAY THE PRINCIPAL, PURCHASE PRICE, PREMIUM (IF ANY), AND INTEREST PAYABLE WITH RESPECT THERETO) DO NOT CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE AUTHORITY OR ABAG, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF ANY OF THEM, BUT ARE PAYABLE SOLELY FROM THE

REVENUES AND OTHER AMOUNTS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO OWNER OF THE BONDS SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO PAY ANY PRINCIPAL OF, PURCHASE PRICE, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. NEITHER THE AUTHORITY NOR ABAG HAS ANY TAXING POWER.

Security

Pledge of Revenues. Pursuant to the Indenture, the Authority has pledged to the Trustee, to the extent of its interest therein, for the benefit of the Bondholders, and thereafter to the Bank to secure the obligations owed to the Bank arising under the Reimbursement Agreement, all Revenues received by the Authority or the Trustee from the Foundation after the date of delivery of the Bonds and any other amounts (including the proceeds of the sale of the Bonds but excluding Additional Payments paid by the Foundation pursuant to the Loan Agreement and any amount paid by the Foundation to indemnify the Authority pursuant to the Loan Agreement) held in any fund or account established pursuant to the Indenture (other than the Rebate Fund and the Bond Purchase Fund) to secure the payment of the principal of, premium, if any, and interest on the Bonds. Pursuant to the Indenture, the Authority has pledged to the Trustee, to the extent of its interest therein, for the benefit of the Bondholders, all amounts in the Bond Purchase Fund to the punctual payment of the Purchase Price of the Bonds tendered or deemed tendered for purchase pursuant to the Indenture and thereafter, to the extent provided in the Reimbursement Agreement, to the payment of obligations due to the Bank under the Reimbursement Agreement. The Authority has also assigned to the Trustee, to the extent of its interest therein, for the benefit of the Bondholders, all of the Authority's rights, title and interest in the Loan Agreement (other than certain rights relating to payment of expenses and fees of the Authority, indemnification, notices and certain reports). "Revenues" means all payments received by the Authority or the Trustee from the Foundation pursuant to or with respect to the Loan Agreement (except Additional Payments paid by the Foundation pursuant to the Loan Agreement, Costs of Issuance or indemnification paid by the Foundation pursuant to the Loan Agreement, and amounts received for or on deposit in the Rebate Fund) and the Letter of Credit, including, without limiting the generality of the foregoing, Base Loan Payments (including both timely and delinquent payments), prepayments, insurance proceeds, condemnation proceeds and all income derived from the investment of any money in any fund or account established pursuant to the Indenture not subject to rebate to the United States Treasury.

Requirement for Letter of Credit. Under the Loan Agreement, the Foundation is required to maintain or cause to be maintained the Letter of Credit or an Alternate Letter of Credit, unless the Bonds are converted to a Term Interest Rate Period and certain conditions set forth in the Indenture are met. See "CHANGE OF INTEREST RATE PERIOD – Adjustment to and Continuation of a Term Interest Rate Period" for a description of such conditions. At any time the Foundation may, at its option, and will at least 20 Business Days prior to the expiration date of any existing Letter of Credit (unless the Bonds have been converted to a Term Interest Rate Period and a Letter of Credit is no longer required to be maintained pursuant to the Loan Agreement and the Indenture), cause to be delivered an Alternate Letter of Credit.

Terms of Letter of Credit. The Letter of Credit will be an obligation of the Bank to pay to the Trustee, upon request made with respect to the Bonds and in accordance with the terms thereof, up to: (i) \$10,000,000 to pay principal of the Bonds when due, whether upon maturity, redemption or acceleration or to pay that portion of the Purchase Price of Bonds tendered for purchase and not remarketed, equal to the principal amount of such Bonds; plus (ii) \$147,946 (an amount equal to 45 days' interest accrued on the Bonds calculated at the rate of 12% per annum (computed on the basis of a 365-day year)) to pay accrued interest on the Bonds when due or to pay the accrued interest portion of the Purchase Price of

Bonds tendered for purchase and not remarketed, as such amounts may be reduced or reinstated pursuant to the terms of the Letter of Credit. All drawings under the Letter of Credit will be paid with the Bank's own funds.

The Letter of Credit shall terminate on the date which is the earliest of (i) honor by the Bank of a final draft presented to it by the Trustee under the Letter of Credit; (ii) two business days following the first day on which the interest rate with respect to the Bonds is converted to a Term Interest Rate; (iii) the date of receipt by the Bank of notice from the Trustee that the obligation of the Corporation to maintain the Credit Facility has terminated in accordance with the terms of the Indenture; (iv) 30 days after receipt by the Trustee of the Letter of Credit and notice from the Bank requesting the Trustee to accelerate all of the Bonds Outstanding as a result of the occurrence and continuance of an Event of Default under the Reimbursement Agreement or, if such day is not a business day, on the next succeeding business day; or (v) September 30, 2007, or such later date as agreed to by the Bank.

Alternate Letter of Credit. The Indenture and the Loan Agreement specify certain requirements that apply to any Alternate Letter of Credit, including without limitation, the following:

Pursuant to the Indenture and the Loan Agreement, an Alternate Letter of Credit will be an irrevocable letter of credit or other irrevocable credit facility issued by a commercial bank, savings institution or other financial institution, and the terms of which will, to the extent dictated by the terms of the Bonds, be, in all material respects, the same as or substantially similar to the Letter of Credit and acceptable to the Authority; provided, that the expiration date of such Alternate Letter of Credit will be a date not earlier than 364 days from its date of issuance (or, if shorter, the period to maturity of the Bonds), subject to earlier termination upon payment of all Bonds in full or provision for such payment in accordance with the provisions relating to defeasance of Bonds under the Indenture.

At least 40 days prior to the expiration of the existing Letter of Credit and at least 20 days before the actual delivery of an Alternate Letter of Credit, the Foundation will cause to be provided to the Trustee (a) an opinion of Bond Counsel stating to the effect that the delivery of such Alternate Letter of Credit to the Trustee is authorized under the Indenture and complies with the terms of the Loan Agreement and will not adversely affect the Tax-Exempt status of the Bonds, (b) an opinion to the effect that such Alternate Letter of Credit is enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable remedies), and (c) written evidence from the Rating Agency to the effect that such rating agency has reviewed the proposed Alternate Letter of Credit, and (1) if the Bonds are in a Weekly Interest Rate Period or the effective date of the Alternate Letter of Credit will be on the first day of a new Term Interest Rate Period, indicating the prospective rating of the Bonds, which rating will be no lower than the then current rating on the Bonds, or its short-term or long-term equivalent, and in no event lower than in the "A category" or (2) if the Bonds are in a Term Interest Rate Period, stating that the delivery of the Alternate Letter of Credit will not, in and of itself, result in a lowering or withdrawal of the rating on the Bonds; and actual delivery to the Trustee of an Alternate Letter of Credit shall be made on a Business Day at least 20 days prior to the expiration date of an existing Letter of Credit.

The Trustee will provide the Bondholder with written notice that an Alternate Letter of Credit has been delivered to the Trustee.

Reserves. No debt service reserve will be established with respect to the Bonds.

THE BANK

The information under this heading has been provided solely by Bank of America, N.A. and is believed to be reliable, but has not been verified independently by the Authority, the Foundation, the Underwriter or the Trustee. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Authority, the Foundation, the Underwriter or the Trustee. No representation is made herein as to the accuracy of such information or as to the absence of materially adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

Bank of America, N.A. (the “Bank”), is a national banking association organized under the laws of the United States, and its principal executive offices are located in Charlotte, North Carolina. The Bank is a wholly owned indirect subsidiary of Bank of America Corporation and is engaged in general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of June 30, 2003, the Bank had consolidated assets of \$656 billion, consolidated deposits of \$443 billion and stockholder’s equity of \$50 billion based on regulatory accounting principles.

Bank of America Corporation is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding Bank of America Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2002, together with any subsequent documents it filed with the Securities and Exchange Commission (the “Commission”) pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

The Letter of Credit has been issued by the Bank. Moody’s Investors Service, Inc. (“Moody’s”) currently rates the Bank’s long-term certificates of deposit as “Aa1” and short-term certificates of deposit as “P-1”. Standard & Poor’s Rating Services (“Standard & Poor’s”) rates the Bank’s long-term certificates of deposit as “AA-” and its short-term certificates of deposit as “A-1+”. Fitch, Inc. (“Fitch”) rates long-term certificates of deposit of the Bank as “AA” and short-term certificates of deposit as “F1+.” Further information with respect to such ratings may be obtained from Moody’s, Standard & Poor’s and Fitch, respectively. No assurances can be given that the current ratings of the Bank’s instruments will be maintained.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the Commission pursuant to the Exchange Act), and the most recent publicly available portions of the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communications

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS

A BINDING OBLIGATION OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF BANK OF AMERICA CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The information contained under this heading relates to and has been obtained from the Bank. The information concerning Bank of America Corporation and the Bank contained herein is furnished solely to provide limited introductory information regarding Bank of America Corporation and the Bank and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced above.

The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of Bank of America Corporation or the Bank since the date hereof, or that the information contained or referred to under this heading is correct as of any time subsequent to its date.

REIMBURSEMENT AGREEMENT

The Reimbursement Agreement and any other agreements securing the Foundation's obligation to reimburse the Bank do not secure the Trustee, the Holders of the Bonds, or the Bonds.

Events of Default

The following is a summary of the circumstances set forth in the Reimbursement Agreement which constitute events of default thereunder. This summary is qualified by referenced to the complete text of the Reimbursement Agreement. Capitalized terms used under this caption and not otherwise defined shall have the meanings given to such terms in the Reimbursement Agreement.

(a) The Foundation shall fail to pay any amount payable under the Reimbursement Agreement or under any of the Related Documents on the date when due (after giving effect to applicable grace periods); or

(b) Any representation, warranty, certification or statement made by the Foundation in the Reimbursement Agreement or in connection therewith, any of the Related Documents or in any writing furnished by or on behalf of the Foundation shall prove to have been false, misleading or incomplete in any material respect on the date as of which made; or

(c) The Foundation shall fail to perform or observe certain covenants contained in the Reimbursement Agreement; or

(d) The Guarantor shall fail to perform or observe any material provisions of the Limited Guaranty executed by the Guarantor in favor of the Bank (the "Limited Guaranty"), or such Limited Guaranty is no longer in effect, or the Guarantor purports to revoke or disavow the Limited Guaranty; or

(e) The Foundation shall fail to perform or observe any other material term, covenant or agreement contained in the Reimbursement Agreement on its part to be performed or observed and any such failure shall remain unremedied for a period of 30 days after the date upon which written notice of such failure, requiring the same to be remedied, shall have been given to the Foundation by the Bank; or

(f) The Foundation or the Guarantor shall fail to pay any Indebtedness in excess of \$100,000 or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other default under any agreement or instrument relating to any such Indebtedness, or any other event shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of the maturity of such Indebtedness; or any such Indebtedness shall be declared to be due and payable, or required to be prepaid, prior to the stated maturity thereof; or

(g) Liquidation or dissolution of the Foundation or the Guarantor, or suspension of the business of the Foundation or the Guarantor or filing by the Foundation or the Guarantor of a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Law, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing, or any other action of the Foundation or the Guarantor indicating its consent to, approval of, or acquiescence in any such petition or proceeding; the application by the Foundation or the Guarantor for, or the appointment by or with the consent or acquiescence of the Foundation or the Guarantor of, a receiver, a trustee or a custodian for the Foundation or the Guarantor; the application by the Foundation or the Guarantor for, or the consent to or acquiescence of the Foundation or the Guarantor in, an assignment for the benefit of creditors; or the inability of the Foundation or the Guarantor or the admission by the Foundation or the Guarantor in writing of its inability to pay its debts as they mature; or

(h) Filing of an involuntary petition against the Foundation or the Guarantor in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Code, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing; or the involuntary appointment of a receiver, a trustee or a custodian of the Foundation or the Guarantor or for all or a substantial part of its property; the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of the Foundation or the Guarantor and the continuance of any of such events for sixty (60) days undismissed, undischarged or unstayed; or

(i) Any material provision of the Reimbursement Agreement shall at any time for any reason cease to be valid and binding on the Foundation, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Foundation, or a proceeding shall be commenced by any governmental agency or authority having jurisdiction over the Foundation seeking to establish the invalidity or unenforceability thereof, or the Foundation shall deny that it has any or further liability or obligation under the Reimbursement Agreement; or

(j) Any “event of default” under and as defined in the Loan Agreement, the Indenture or any other Related Document shall have occurred and not been waived; or

(k) The Bonds for any reason shall be determined to be invalid or any Related Document shall for any reason cease to be in full force and effect; or

(l) Any Plan Termination Event with respect to a Plan which the Bank determines in good faith might constitute grounds for the termination of any Plan or for the appointment of a trustee to administer any Plan shall have occurred, and, after the expiration of no less than 30 days after notice thereof shall have been given to the Foundation by the Bank, (i) such Plan Termination Event (if correctable) shall not have been corrected, and (ii) the then present value of such Plan’s vested benefits exceeds the then current value of assets accumulated in such Plan; or

(m) The Foundation or the Guarantor fails to meet the conditions of, or fails to perform any material obligation under any other agreement the Foundation or the Guarantor has with the Bank; or

(n) Any judgments or arbitration awards are entered against the Foundation in an aggregate amount of \$200,000 or more in excess of any insurance coverage and the same is not satisfied or stayed within thirty (30) days; or

(o) A material adverse change occurs in the Foundation's or Guarantor's business condition (financial or otherwise), operations, properties or prospects or ability to repay the credit.

Rights Upon an Event of Default

Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived by the Bank or cured to the satisfaction of the Bank, the Bank shall be entitled to take any of the following actions without prejudice to the rights of the Bank to enforce its claims against the Foundation except as otherwise specifically provided for in the Reimbursement Agreement:

(a) Declare all unreimbursed drawings in respect of the Letter of Credit and any and all other indebtedness or obligations of any and every kind owing by the Foundation to the Bank under the Reimbursement Agreement to be due, whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are waived by the Foundation in the Reimbursement Agreement.

(b) Enforce any and all rights and interests created and existing under the Reimbursement Agreement or under any of the other Related Documents and all rights of set-off.

(c) The Bank may, at its option, direct the Trustee to draw on the Letter of Credit in accordance with the provisions of the Indenture and to accelerate the Bonds, as provided in the Indenture.

No remedy conferred upon or reserved to the Bank in the Reimbursement Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and in addition to every other remedy given under the Reimbursement Agreement, the Indenture, the Loan Agreement or the other Related Documents, now or hereafter existing at law or in equity or by statute.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the Bondholders upon an event of default under the Indenture or Loan Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay, and such remedies may not be readily available or may be limited. In particular, under the United States Bankruptcy Code, a bankruptcy case may be filed by the Authority, by or against the Foundation or by or against any of its affiliates. In general, the filing of any such petition operates as a stay against enforcement of the terms of the agreements to which the bankrupt entity is a party and in the bankruptcy process executory contracts such as the Loan Agreement or the Indenture may be subject to assumption or rejection by the bankrupt party. In the event of any such rejection, the non-rejecting party or its assigns may become an unsecured claimant of the rejecting party. The various legal opinions to be delivered concurrently with the Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance by the Authority and the Foundation with certain covenants in the Loan Agreement and the Indenture and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the organization and operation of the Foundation, the use, expenditure and investment of Bond proceeds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference in calculating federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

In addition, Bond Counsel has relied on the opinion of Wilson Sonsini Goodrich & Rosati, a Professional Corporation, counsel to the Foundation regarding the qualification of the Foundation as an organization described in Section 501(c)(3) of the Code. The opinion of Wilson Sonsini Goodrich & Rosati, a Professional Corporation, includes various conditions, assumptions and reliance on factual information furnished by the Foundation. Neither Bond Counsel nor Wilson Sonsini Goodrich & Rosati, a Professional Corporation, can give or has given any opinion or assurance about the future activities of the Foundation or about the effect of future changes in the Code, applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service. Failure to comply with such covenants and requirements or failure of the Foundation to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any collateral consequences.

Certain requirements and procedures contained or referred to in the Loan Agreement, the Tax Certificate, the Indenture and other relevant documents may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Legislation affecting municipal obligations is continually being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status of the Bonds. Legislation or regulatory actions and proposals may also affect the economic value of tax exemption or the market price of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds under California law is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, acting as Bond Counsel. Approval of other legal matters will be passed upon for the Authority by its special counsel, Jones Hall, San Francisco, California, for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, for the Bank by its counsel, Frandzel Robins Bloom & Csato, L.C., Los Angeles, California, and for the Foundation by Wilson Sonsini Goodrich & Rosati, a Professional Corporation, Palo Alto, California.

ABSENCE OF MATERIAL LITIGATION

There is no litigation pending (with service of process having been accomplished) against the Authority concerning the validity of the Bonds.

UNDERWRITING

The Bonds will be purchased from the Authority by Banc of America Securities LLC, as Underwriter, pursuant to a purchase contract. The Underwriter will agree to purchase the Bonds from the Authority at a purchase price equal to the principal amount of the Bonds less an Underwriter's discount of \$150,000. The purchase contract among the Authority, the Underwriter and the Foundation will provide that the Underwriter will purchase all of the Bonds, if any are purchased. The Bonds may be offered and sold by the Underwriter to certain dealers and others at prices lower than the initial public offering price indicated on the cover page of this Official Statement, and such public offering price may change, from time to time, by the Underwriter.

CONTINUING DISCLOSURE

The Foundation has undertaken all responsibilities for any continuing disclosure to Bondholders as described below, and the Authority disclaims all liability to the Holders of the Bonds or any other person with respect to Rule 15c2-12.

While bearing interest at a Weekly Interest Rate, the Bonds are exempt from the continuing disclosure requirements of Rule 15c2-12, pursuant to the exemptions provided in paragraph (d)(1) of Rule 15c2-12. So long as the Bonds and the remarketing thereof satisfy the exemptions provided in paragraph (d)(1) of Rule 15c2-12, no future information or disclosure will be provided by the Authority, the Foundation or the Bank pursuant to Rule 15c2-12. Independently, the Bank is subject to the information reporting requirements of the Exchange Act, and in accordance therewith files reports with the SEC. Such reports and other information are available from the sources identified under the caption "THE BANK."

The Foundation will covenant and agree in the Loan Agreement, upon commencement of a Term Interest Rate Period of longer than nine months, to provide continuing disclosure in accordance with the requirements promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented.

RATING

Moody's Investors Service, Inc. is expected to assign a rating of "Aa1/VMIG1" to the Bonds, based on assurance that payment of principal and Purchase Price of, and interest on, the Bonds will be payable from the proceeds of draws on the Letter of Credit. Any explanation of the significance of such rating may only be obtained from Moody's Investors Service.

There is no assurance that the rating mentioned above will be assigned or remain in effect with respect to the Bonds for any given period of time or that a rating might not be lowered or withdrawn entirely, if in the judgment of the rating agency originally establishing the rating, circumstances so warrant. Neither the Authority nor the Foundation nor the Underwriter nor the Bank has undertaken any responsibility to bring to the attention of the Bondholders any proposed change in, or withdrawal or non-assignment of a rating or to oppose any such proposed revision, non-assignment or withdrawal. Any such downward change in or withdrawal or non-assignment of a rating might have an adverse effect on the market price or marketability of the Bonds.

MISCELLANEOUS

All quotations from and summaries and explanations of the Act, the Indenture, the Loan Agreement, the Reimbursement Agreement and of other documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions. Copies in reasonable quantity of the Indenture, the Loan Agreement and the Reimbursement Agreement may be obtained upon request directed to the Underwriter or the Foundation.

Any statements in this Official Statement involving matters of opinion are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the Foundation and holders of any of the Bonds.

The execution and distribution of this Official Statement by the Chief Financial Officer of the Authority have been duly authorized by the Authority.

**ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS**

By: /s/ Joseph Chan
Chief Financial Officer

The execution and delivery of this Official Statement by the President of the Foundation have been duly authorized by the Foundation.

KTEH FOUNDATION

By: /s/ Thomas E. Fanella
President

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION HEREIN CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY, THE FOUNDATION, THE TRUSTEE AND UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE AUTHORITY, THE FOUNDATION, THE TRUSTEE AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF. THE BENEFICIAL OWNERS SHOULD CONFIRM THE FOLLOWING INFORMATION WITH DTC OR THE DTC PARTICIPANTS (AS DEFINED HEREIN).

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate for each maturity will be issued for Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Foundation or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The Foundation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

The Authority, the Underwriter and the Foundation cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, redemption price, Purchase Price and interest with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices, notices of mandatory tender or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority the Underwriter and the Foundation are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, redemption price, Purchase Price and interest with respect to the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

Certain provisions of the Indenture and the Loan Agreement, not previously discussed in this Official Statement, are summarized below. **These summaries do not purport to be comprehensive, complete or definitive and are qualified in their entirety by reference to the full terms of the Indenture and Loan Agreement.**

CERTAIN DEFINITIONS

The following are definitions of certain of the terms used in the Indenture and the Loan Agreement, and not otherwise defined in this Official Statement. Reference is hereby made to the entire documents for the definitions of all terms used in such documents. The following definitions are equally applicable to both singular and plural forms of any of the terms defined herein:

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of the Government Code of the State of California.

“Act of Bankruptcy” means with respect to any entity the entry of an order or decree, by a court having jurisdiction in the premises, for relief against such entity in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of such entity or of any substantial part of its property, or ordering the winding up or liquidation of its affairs; or the institution or commencement by or against such entity of a voluntary or involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or its consent to the entry of an order for relief against it in any involuntary case under any such law, or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of such entity or of any substantial part of its property, or its making an assignment for the benefit of creditors, or its failure generally to pay its debts as they become due, or its admission in writing of such failure, or its taking of any action in furtherance of any such action, or if a receiver of the business or of the property or assets of such entity shall be appointed by any court.

“Additional Payments” means any of the payments required to be made by the Borrower pursuant to certain provisions of the Agreement.

“Agreement” or “Loan Agreement” means that certain Loan Agreement, dated as of September 1, 2003, between the Authority and the Borrower, as originally executed or as it may from time to time be supplemented, modified or amended.

“Alternate Letter of Credit” means an alternate irrevocable letter of credit or similar credit facility issued by a commercial bank or savings institution (the terms of which shall be to the extent dictated by the terms of the Bonds) the same as or similar to those of the initial Letter of Credit delivered to the Trustee pursuant to the Agreement, and meeting the qualifications set forth in the Agreement.

“Approving Opinion” means an opinion of Bond Counsel that an action being taken (i) is authorized by the Act and the Indenture, and (ii) will not adversely affect the Tax-Exempt status of the Bonds.

“Authority” means the ABAG Finance Authority For Nonprofit Corporations, a joint exercise of powers authority organized and existing under the laws of the State.

“Authorized Denomination” means (i) during any Weekly Interest Rate Period, \$100,000 or any integral multiple thereof and (ii) during any Term Interest Rate Period, \$5,000 or any integral multiple thereof (unless such Term Interest Rate Period is nine months or less, in which case “Authorized Denomination” means \$100,000 or any multiple of \$5,000 in excess thereof).

“Authorized Representative” means with respect to the Authority, its President, Chief Financial Officer, Secretary or any other person who at the time and from time to time is specifically authorized by resolution of the Authority furnished to the Trustee, the Borrower and the Bank, as a person authorized to act on behalf of the Authority.

“Authorized Representative” means with respect to the Borrower, its President, Acting Chief Financial Officer or any officer of the Borrower or the person or persons at the time designated to act on behalf of the Borrower by a written certificate signed by the Borrower and approved by the Bank, furnished to the Trustee and the Authority, containing the specimen signature of each such person.

“Authorized Representative” means with respect to the Bank, any officer of the Bank or the person or persons at the time designated to act on behalf of the Bank by a written certificate signed by the Bank to the Trustee, and containing the specimen signature of each such person.

“Available Moneys” means (a) during any period in which Outstanding Bonds are secured by the Letter of Credit, (i) funds received by the Trustee pursuant to such Letter of Credit and not commingled with other moneys; (ii) moneys which have been continuously on deposit with the Trustee (A) held in any separate and segregated fund, account or subaccount established under the Indenture in which no other moneys which are not Available Moneys are held and (B) which have so been on deposit with the Trustee for at least 123 consecutive days from their receipt by the Trustee and not commingled with any moneys so held for less than said period and during and prior to which period, and as of the date of the application thereof to the payment of Bonds, no Act of Bankruptcy of the Borrower or the Authority has occurred; (iii) proceeds from the issuance and sale or remarketing of bonds, notes or other evidences of indebtedness of the Authority received by the Trustee directly and contemporaneously with the issuance and sale or remarketing of such bonds, notes or other evidences of indebtedness if there is delivered to the Trustee at the time such moneys are deposited with the Trustee an opinion of counsel (which may assume that no Holder of Bonds is an “insider” within the meaning of the Bankruptcy Code) from a firm experienced in bankruptcy matters to the effect that the use of such moneys to pay amounts due on the Bonds would not be recoverable from the Bondholders pursuant to Section 550 of the Bankruptcy Code as avoidable preferential payments under Section 547 of the Bankruptcy Code in the event of the occurrence of an Act of Bankruptcy of the Borrower or the Authority; (iv) any other moneys if there is delivered to the Trustee at the time such moneys are deposited with the Trustee an opinion of counsel as described in (iii) above; or (v) proceeds of the investment of funds qualifying as Available Moneys under the foregoing clauses; and (b) during any period in which Outstanding Bonds are not secured by a Letter of Credit, any moneys deposited with the Trustee.

“Bank” means Bank of America, N.A., and any other commercial bank, savings association or financial institution issuing a Letter of Credit then in effect and party to a Reimbursement Agreement.

“Bank Bonds” means any Bond acquired with moneys in the Letter of Credit Purchase Account pursuant to the Indenture until such Bond is remarketed and the Letter of Credit has been fully reinstated as provided in the Indenture or until such Bond is no longer considered a Bank Bond in accordance with the Reimbursement Agreement.

“Base Loan Payments” means the payments required to be made by the Borrower to the Trustee for the account of the Authority in accordance with the Agreement for the payment of the debt service on the Bonds.

“Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Direct Participants have caused DTC to hold Book-Entry Bonds.

“Bond Counsel” means any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, other than counsel for the Borrower.

“Bond Payment Date” means any Interest Payment Date and any other date on which the principal of, premium, if any, or interest on the Bonds is to be paid to the Owners thereof, whether upon redemption, at maturity or upon acceleration of maturity of the Bonds.

“Bond Purchase Fund” means the Bond Purchase Fund established pursuant to the Indenture.

“Bond Registrar” or “Registrar” means the entity or entities performing the duties of the Bond Registrar pursuant to the Indenture.

“Bonds” means the ABAG Finance Authority For Nonprofit Corporations Variable Rate Demand Revenue Bonds (KTEH Foundation) Series 2003 authorized and issued pursuant to the Indenture and any Bonds issued in exchange or replacement thereof in accordance with the Indenture.

“Book-Entry Bonds” means the Bonds registered in the name of the nominee of DTC, or any successor securities depository for the Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Borrower” means KTEH Foundation, a nonprofit public benefit corporation organized and existing under the laws of the State, and its successors or assigns or any co-obligor permitted under the Agreement.

“Borrower Loan Documents” means the Agreement, the Reimbursement Agreement, the Remarketing Agreement and any interest rate swap agreement or related or similar agreement, entered into with respect to the Bonds.

“Business Day” shall mean any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in California are authorized or required by law to close.

“Certificate of the Authority,” “Consent of the Authority,” “Order of the Authority,” “Request of the Authority” or “Requisition of the Authority” mean, respectively, a written certificate, consent, order, request or requisition of the Authority signed by or on behalf of the Authority by its Authorized Representative.

“Certificate of the Borrower,” Request of the Borrower,” “Requisition of the Borrower” or “Statement of the Borrower” mean, respectively, a written certificate, request, requisition or statement of the Borrower executed by an Authorized Representative.

“Code” means the Internal Revenue Code of 1986, as amended.

“Completion Date” means the date specified by the Borrower in the Certificate delivered to the Trustee pursuant to the Indenture.

“Continuing Disclosure Agreement” means any continuing disclosure agreement or continuing disclosure certificate by the Borrower relating to the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Borrower and related to the original authorization, execution, sale and delivery of the Bonds, including, but not limited to: costs of preparation and reproduction of documents; fees and expenses of the Authority (including its counsel); initial fees, expenses and charges of the Trustee (including its counsel); the Letter of Credit commitment fees and other fees, expenses and charges of the Bank; legal fees and charges of bond counsel and the respective counsel to the Borrower and the Bank; rating agency fees; and any other cost, charge or fee in connection with the original delivery of the Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the Indenture.

“Costs of the Project” means the sum of the items, or any such item, authorized to be paid with Bond proceeds pursuant to the Indenture (but shall not include any Costs of Issuance).

“Direct Participants” or “Participants” means those broker-dealers, banks and other financial institutions from time to time for which DTC holds the Bonds as securities depository.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, or any successor Securities Depository for the Bonds.

“Electronic Notice” means notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail or other electronic means of communication.

“Environmental Regulations” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances, chemical waste, materials or substances.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Plan” means any “employee pension benefit plan,” as such term is defined in ERISA, from time to time in effect for the benefit of employees of the Borrower.

“Event of Default” as used with respect to the Indenture has the meaning specified in the Indenture and as used with respect to the Agreement has the meaning specified in the Agreement.

“Facilities” means, as of any date, (i) the real property on which the Borrower’s broadcasting facilities are located; (ii) all buildings, structures, fixtures and improvements to the aforesaid real property; and (iii) all personal property owned by the Borrower and used in, around or about the aforesaid real property, whether now existing or hereafter constructed, installed or acquired.

“Fitch” means Fitch, Inc., its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody’s) designated by the Authority, with the approval of the Borrower, by notice to the Bank, the Trustee and the Remarketing Agent.

“Fiscal Year” means the period beginning on October 1 of each year and ending on the next succeeding September 30, or any other twelve-month, or fifty-two week, period hereafter selected and designated as the official fiscal year period of the Borrower.

“Guarantor” means the David and Lucile Packard Foundation.

“Holder” or “Bondholder,” or “Owner,” whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

“Indebtedness” means:

(1) twenty five percent (25%) of the outstanding principal amount of all indebtedness of persons, other than the Borrower, for which the Borrower is a guarantor, unless the guarantee of such person’s indebtedness has been drawn upon within the two most recent Fiscal Years,

(2) all indebtedness of persons, other than the Borrower, for which the Borrower is a guarantor if the guarantee of such person’s indebtedness has been drawn upon within the two most recent Fiscal Years,

(3) all other indebtedness of the Borrower (including the obligation of the Borrower to make Base Loan Payments and any installment purchase and lease rental obligations) which

(a) in accordance with GAAP is classified as a liability on a balance sheet or statement of financial position, and

(b) which has a final maturity (or which, pursuant to the terms of a revolving credit or similar agreement or otherwise, is renewable or extendable at the option of the Borrower to a date or for a period of periods ending) more than one year after the date of creation thereof, notwithstanding the fact that payments in respect thereof (whether installment, serial maturity or sinking fund payments or otherwise) are required to be made less than one year after the date of the creation thereof; excluding any indebtedness which is renewable or extendable pursuant to the terms of a revolving credit or similar agreement if, by the terms of such agreement, no indebtedness is permitted to be outstanding thereunder for a period of at least thirty (30) consecutive days during each period of twelve (12) consecutive months beginning with the effective date of such revolving credit or other similar agreement.

“Indenture” means the indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Standard and Poor’s J.J. Kenny Information Services’ “Called Bond Record,” 55 Water Street, 45th Floor, New York, New York 10041; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, as the Borrower may designate in a Certificate of the Borrower delivered to the Trustee.

“Interest Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Interest Payment Date” means (i) during a Weekly Interest Rate Period the first day of each calendar month, (ii) during a Term Interest Rate Period, each March 1 and September 1, during such Term Interest Period and the day immediately succeeding the last day of such Term Interest Rate Period unless such Term Interest Rate Period is less than one year, in which event such term means the day immediately succeeding the last day of such Term Interest Rate Period and (iii) with respect to Bank Bonds, each date set for payment of interest on Bank Bonds as set forth in the Reimbursement Agreement.

“Interest Period” means the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, except that the first

Interest Period shall be the period from and including the Issue Date of the Bonds to and including the day immediately preceding the first Interest Payment Date.

“Interest Rate Period” means, as appropriate, a Weekly Interest Rate Period or a Term Interest Rate Period.

“Investment Securities” mean any of the following obligations as and to the extent that such obligations are at the time legal investments under the Act for moneys held under the Indenture and then proposed to be invested therein and are the sole investments in which amounts on deposit in any fund or account created under the Indenture or the Agreement will be invested:

A. Investment Securities for all purposes, including defeasance investments in refunding escrow accounts include:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), or

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America.

B. Investment Securities for all purposes other than defeasance investments in prepayment escrow accounts include:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated “Aaa” by Moody’s issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)

- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by the Insurer;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by Moody's.

(6) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified date fixed for redemption or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of subsection (B) hereof may not be used as Permitted Investments for annual appropriation lease transactions without the prior written approval of Moody's.

(7) General obligations of states with a rating of at least "A2/A" or higher by both Moody's and S&P;

(8) Investment agreements approved in writing by the Bank with notice to the Rating Agency; and

(9) Other forms of investments (including repurchase agreements) approved in writing by the Bank with notice to the Rating Agency.

The value of the above investments shall be determined as follows:

“Value”, which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(1) As to investments the bid and asked prices of which are published on a regular basis in the Wall Street Journal (or, if not there, then in the New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) As to investment agreements, certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(4) As to any investment not specified above: the value thereof established by prior agreement between the Authority, the Trustee and the Bank.

“Issue Date” means, with respect to the Bonds, the date on which the Bonds are first delivered to the Original Purchaser thereof.

“Letter of Credit” means (i) initially, that certain Letter of Credit issued by the initial Bank naming the Trustee as beneficiary and delivered on the Issue Date, or any extension or renewal thereof, and (ii) in the event of delivery of an Alternate Letter of Credit, such Alternate Letter of Credit.

“Letter of Credit Account” means the account by the name established pursuant to the Indenture.

“Letter of Credit Purchase Account” means the Letter of Credit Purchase Account established in the Bond Purchase Fund pursuant to the Indenture.

“Loan Default Event” means any one or more of the events specified as an “Event of Default” or “Default” in the Agreement.

“Long Term Debt” means Indebtedness with a stated term greater than one year or with a term that may be extended beyond one year at the option of the Borrower.

“Maximum Annual Debt Service” means the greatest amount of aggregate (without duplication) principal and interest scheduled to become due (either by maturity or by mandatory redemption) on all Indebtedness in any Fiscal Year, including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year.

“Maximum Rate”, with respect to Bonds other than Bank Bonds, means twelve percent (12%) per annum and, with respect to Bank Bonds, means the maximum interest rate permitted by law.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency (other than S&P and Fitch) designated by the Authority with notice to the Borrower, the Bank, the Trustee, and the Remarketing Agent.

“Multiemployer Plan” has the meaning set forth in Section 4001(a)(3) of ERISA and all rules and regulations promulgated from time to time thereunder.

“Nominee” means Cede & Co., as nominee of DTC, the initial Securities Depository for the Bonds, and any successor nominee of DTC and, if another Securities Depository replaces DTC as Securities Depository hereunder, any nominee of such substitute Securities Depository.

“Notice by Mail” or “Notice” of any action or condition “by mail” shall mean a written notice meeting the requirements of the Indenture mailed by first class mail, postage prepaid.

“Opinion of Bond Counsel” means an Opinion of Counsel by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority) appointed by the Authority. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

“Original Purchaser” means Bank of America Securities LLC.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture relating to disqualified Bonds) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee, Tender Agent or Registrar under the Indenture except (i) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including disqualified Bonds (or portions of Bonds); (iii) Bonds for the transfer or exchange of, or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture; and (iv) Bonds which are deemed tendered but not delivered pursuant to the Indenture.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to the Indenture.

“Principal Corporate Trust Office” shall mean with respect to the Trustee, the office of the Trustee at 555 Montgomery Street, 10th Floor, San Francisco, California 94111, Attention: Corporate Trust Services.

“Program” means the Authority’s program of making loans under the Act.

“Project” means the project described in Exhibit A of the Loan Agreement.

“Project Fund” means the fund by that name established pursuant to the Indenture.

“Purchase Date” means the date on which any Bond is required to be purchased pursuant to the Indenture.

“Purchase Price” means an amount equal to 100% of the principal amount of any Bond (or the portion thereof) tendered or deemed tendered to the Trustee or the Tender Agent for purchase pursuant to the Indenture, plus accrued and unpaid interest thereon to but not including the Purchase Date; provided, however, if the Purchase Date occurs after the Record Date applicable to the interest accrued on such

Bond from the last occurring Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest, which shall be paid to the Holder of record on the applicable Record Date.

“Rating Agency” means Moody’s to the extent it is then providing or maintaining a rating on the Bonds, or in the event that Moody’s no longer maintains such a rating on the Bonds, Fitch, S&P or, if approved by the Authority, any other nationally recognized rating agency, in each case then providing or maintaining a rating on the Bonds at the request of the Borrower.

“Rebate Fund” means the fund by that name created pursuant to the Indenture.

“Record Date” means (i) the Business Day immediately preceding the applicable Interest Payment Date during a Weekly Interest Rate Period, (ii) the fifteenth day of the month, whether or not a Business Day, prior to an Interest Payment Date during any Term Interest Rate Period and (iii) with respect to any Bank Bonds the Interest Payment Date for such Bank Bonds.

“Reimbursement Agreement” means the Letter of Credit and Reimbursement Agreement, dated as of September 1, 2003, between the Borrower and the Bank pursuant to which the initial Letter of Credit is issued, and any other similar agreement entered into in connection with the issuance or execution and delivery of any Alternate Letter of Credit, as the case may be, as the same may be amended or supplemented from time to time.

“Remarketing Agent” means initially Banc of America Securities LLC or any successor thereto appointed pursuant to the Indenture.

“Remarketing Agreement” means that certain remarketing agreement, dated as of September 1, 2003, between the Borrower and the Remarketing Agent, as such agreement may from time to time be amended and supplemented, to remarket the Bonds delivered or deemed to be delivered for purchase by the Holders thereof, and any other similar agreement entered into with any successor Remarketing Agent with the prior written consent of the Bank.

“Revenues” mean all payments received by the Authority or the Trustee pursuant to or with respect to the Agreement (except Additional Payments paid by the Borrower pursuant to the Agreement, any amounts paid by the Borrower relating to indemnification pursuant to the Agreement) or the Letter of Credit, including, without limiting the generality of the foregoing, Base Loan Payments (including both timely and delinquent payments), prepayments, insurance proceeds, condemnation proceeds and all income derived from the investment of any money in any fund or account established pursuant to the Indenture, but not including amounts, including investment income, received for or on deposit in the Rebate Fund.

“Rule 15c2-12” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may from time to time be amended and supplemented.

“S&P” shall mean Standard & Poor’s Ratings, a division of the McGraw-Hill Companies, and its successors and assigns and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or Moody’s) designated by the Authority, with the approval of the Borrower, by notice to the Bank, the Trustee and the Remarketing Agent.

“Securities Depository” means the following registered securities depository: The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-7320; or in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as the Authority may indicate in a Certificate of the Authority delivered to the Trustee.

“State” means the State of California.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Surplus Account” means the account by that name established pursuant to the Indenture.

“Tax Certificate” means the Tax Certificate of the Borrower and the Authority, dated the Issue Date.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes (other than in the case of a holder of any Bonds who is a substantial user of the Project or a related person within the meaning of Section 147(a) of the Code) whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Tender Agent” means the Trustee, or any successor tender agent appointed pursuant to the Indenture.

“Term Interest Rate” means a non-variable interest rate on the Bonds established in accordance with the Indenture.

“Term Interest Rate Period” means each period during which a Term Interest Rate is in effect.

“Trustee” means Wells Fargo Bank, N.A., a national banking association organized and existing under and by virtue of the laws of the United States having a corporate trust office in San Francisco, California, or its successor as Trustee under the Indenture as provided in the Indenture.

“Unclaimed Moneys Account” means the account by that name established pursuant to the Indenture.

“Variable Index” means an index selected by the Remarketing Agent which is a composite of bid-side yields of obligations (a) which (i) provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to seven (7) days or (B) are payable in full not later than seven (7) days after the date of evaluation and (b) the interest on which is Tax-Exempt. If for any reason the Variable Index for any rate determination date cannot be established as provided above or is held to be invalid or unenforceable by a court of law, the Variable Index for such rate determination date shall be an index computed by the Remarketing Agent and shall be equal to 95% of the yield applicable to 91-day United States Treasury bills, such yield to be computed on the basis of the coupon equivalent of the average per annum discount rate at which such Treasury bills shall have been sold at the most recent Treasury auction conducted prior to such rate determination date.

“Weekly Interest Rate” means a variable interest rate on the Bonds established weekly in accordance with the Indenture.

“Weekly Interest Rate Period” means each period during which Weekly Interest Rates are in effect.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The Indenture sets forth the terms of the Bonds, the nature and extent of the security for the Bonds, various rights of the Bondholders, rights, duties and immunities of the Trustee and rights and obligations of the Authority. Certain of the provisions of the Indenture are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Pledge of Revenues and Letter of Credit; Revenue Fund

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of Bonds but excluding Additional Payments paid by the Borrower pursuant to the Agreement and any amounts paid by the Borrower relating to indemnification pursuant to the Agreement) held in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Bond Purchase Fund) are pledged to the punctual payment of the principal of, premium, if any, and interest on the Bonds and to the reimbursement of draws under the Letter of Credit and thereafter to secure the obligations due to the Bank under the Reimbursement Agreement. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all amounts in the Remarketing Account, the Unclaimed Moneys Account and the Letter of Credit Purchase Account of the Bond Purchase Fund are pledged to the punctual payment of the Purchase Price of the Bonds tendered or deemed tendered for purchase pursuant to the Indenture and to the reimbursement of draws under the Letter of Credit and thereafter to secure the obligations due to the Bank under the Reimbursement Agreement. Said pledge constitutes a first and exclusive lien on the Revenues and the amounts in such funds and accounts for the payment of the Bonds, and payment to the Bank in accordance with the terms of the Indenture and of the Reimbursement Agreement. All Revenues and other amounts pledged under the Indenture shall be held in trust for the benefit of the Holders from time to time of the Bonds and the Bank, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

The Authority transfers in trust, and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds and the Bank, to the extent of its interest therein, all of the Revenues and other assets pledged as described in the preceding paragraph and all of the right, title and interest of the Authority in the Agreement (except for the right to receive any administrative fees and expenses payable to the Authority, the right to receive indemnification under the Agreement and rights of inspection and consent and to receive any notices and reports). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, subject to the provisions of the Indenture, and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Borrower under the Agreement. Such assignment is to the Trustee solely in its capacity as Trustee under the Indenture and is subject to the provisions of the Indenture. In acting pursuant to such assignment the Trustee shall be entitled to the protections, immunities and limitations from liability afforded it under the Indenture. The Trustee is not responsible for any representations, warranties or covenants of the Authority under the Agreement.

The proceeds of draws under the Letter of Credit provided with respect to the Bonds are (to the extent the Authority has any interest therein) irrevocably pledged to the punctual payment of the principal and Purchase Price of, and interest on, the Bonds, and the proceeds of any draw on the Letter of Credit shall not be used for any other purpose. Said pledge constitutes a first and exclusive lien in favor of the Trustee for the benefit of the Holders of the Bonds of the Authority's interest, if any, in the proceeds of draws under the Letter of Credit for the payment of the principal and Purchase Price of, and interest on,

the Bonds in accordance with the terms thereof. The proceeds of draws under the Letter of Credit, if any, shall be held in trust for the benefit of the Holders from time to time of the Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes set forth in the Indenture.

The Borrower may at its sole discretion from time to time deliver to the Trustee or the Authority such additional or other security to secure the payment of the principal of and interest and premium, if any, on, and Purchase Price of, the Bonds and any such additional or other security delivered by the Borrower shall be pledged to such payment, provided that the delivery of such additional or other security does not adversely affect the Tax-Exempt status of interest on the Bonds.

Except for interest earnings required to be retained in certain funds or transferred as provided in the Indenture, all Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the Revenue Fund which the Trustee shall establish, maintain and hold in trust. Except as otherwise provided in the Indenture, all moneys received by the Trustee and required to be deposited in the Redemption Account shall be promptly deposited in the Redemption Account, which the Trustee shall establish, maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Funds; Application of Revenues

Under the Indenture, the following funds have been established and shall be held by the Trustee: the Costs of Issuance Fund, the Revenue Fund and the Rebate Fund. Moneys in each such fund will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Costs of Issuance Fund. Moneys deposited in the Costs of Issuance Fund shall be used to pay Costs of Issuance with respect to the Bonds upon requisition of the Borrower filed with the Trustee. Any money remaining in the Costs of Issuance Fund on the six month anniversary of the Issue Date shall be transferred to the Project Fund and applied as described below, and upon such transfer, the Costs of Issuance Fund shall be closed.

Project Fund. The moneys in the Project Fund shall be disbursed to pay Costs of the Project pursuant to one or more Requisitions of the Borrower filed with the Trustee in accordance with the Indenture. Upon the completion of acquisition, construction, improvement and equipping of the Project or completion of any enlargements, improvements or extensions thereof or completion of any additional Facilities for which Bonds shall be issued, but in any event not later than 30 days following such completion, the Trustee shall be furnished with a Certificate of the Borrower, accompanied by the written approval of the Bank, stating to the effect the date of such completion (the "Completion Date") and that (i) the Project has been completed as of the Completion Date, (ii) payment, or provision therefor, of the Costs of the Project has been made except for any costs not then due and payable or the liability for payment of which is being contested or disputed by the Borrower, and (iii) no event of default or default exists under the Agreement or the Reimbursement Agreement. Thereupon, any balance in the Project Fund not reserved for the payment of the Costs of the Project shall be deposited into a separate account in the Revenue Fund which the Trustee shall establish and hold in trust and which shall be entitled the "Surplus Account."

Surplus Account. The moneys in the Surplus Account shall be used (unless some other application of such moneys would not, in the Opinion of Bond Counsel, adversely affect the Tax-Exempt status of interest on the Bonds and the consent of the Bank to such application is granted) and applied to the payment of principal on the Bonds through redemption of Bonds to the maximum degree permissible, as specified in a Request of the Borrower or to reimburse the Bank for draws on the Letter of Credit so used. Any moneys in the Surplus Account not so used as herein provided shall be used and applied to pay the principal of the Bonds as such principal becomes due and payable, in annual amounts which bear the same ratio to the annual principal due on the Bonds that the amount deposited in the Surplus Account

bears to the original face amount of the Bonds (unless in the opinion of Bond Counsel another use would not adversely affect the Tax-Exempt status of interest on the Bonds and the consent of the Bank to such application is granted), or to reimburse the Bank for a draw on the Letter of Credit that was so used. The moneys in the Surplus Account shall be invested as directed by the Borrower, and approved by the Bank, at a yield no higher than the yield on the Outstanding Bonds (unless in the opinion of Bond Counsel investment at a higher yield would not adversely affect the Tax-Exempt status of interest on the Bonds), and all such investment income shall be deposited in the Surplus Account and expended or reinvested as provided above; provided that the Trustee is not responsible for calculating the yield on such Bonds.

Event of Default. If an Event of Default occurs and the maturity of the Bonds is accelerated, or if all Outstanding Bonds are redeemed pursuant to the Indenture, the Trustee will, to the extent available or necessary, use moneys in the Project Fund and the Costs of Issuance Fund to make payments on the Bonds, or to the extent such payments were made by a drawing under the Letter of Credit, to reimburse the Bank for such drawings under the Letter of Credit.

Revenue Fund. Except for interest earnings required to be retained in certain funds or transferred as provided in the Indenture, all Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the Revenue Fund which the Trustee shall establish, maintain and hold in trust. Except as otherwise provided in the Indenture, all moneys received by the Trustee and required to be deposited in the Redemption Account shall be promptly deposited in the Redemption Account, which the Trustee shall establish, maintain and hold in trust. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

Bond Purchase Fund. There shall be created and established with the Trustee a trust fund designated the Bond Purchase Fund. There shall also be created and established separate accounts in the Bond Purchase Fund designated the “Remarketing Account”, the “Letter of Credit Purchase Account” and the “Unclaimed Moneys Account.”

Remarketing Account. All moneys received by the Trustee on behalf of purchasers of the Bonds pursuant to the Indenture shall be (i) deposited in the Remarketing Account within the Bond Purchase Fund, (ii) held in trust in accordance with the provisions of the Indenture and (iii) paid out in accordance with the Indenture.

Letter of Credit Purchase Account. All moneys received by the Trustee as payments under the Letter of Credit for the purchase of Bonds shall be (i) deposited in the Letter of Credit Purchase Account within the Bond Purchase Fund, (ii) held in trust in accordance with the provisions the Indenture and (iii) paid out in accordance with the Indenture. No other moneys shall be deposited in the Letter of Credit Purchase Account.

Moneys in Bond Purchase Fund Are Not Revenues and Not Subject to the Lien of the Indenture. Notwithstanding anything to the contrary contained in the Indenture, the funds held by the Trustee in the Bond Purchase Fund shall not be considered Revenues as that term is defined in the Indenture and shall not constitute part of the trust estate that is subject to the lien of the Indenture. The moneys in the Remarketing Account and in the Letter of Credit Purchase Account shall be used solely to pay the Purchase Price of Bonds as provided in the Indenture (or to reimburse the Bank, if any, for payments made under the Letter of Credit for such purpose) and may not be used for any other purposes. All amounts held in the Remarketing Account, the Unclaimed Moneys Account and the Letter of Credit Purchase Account shall be held uninvested in trust by the Trustee for the benefit of the Bondholders or Beneficial Owners of tendered Bonds (provided that any amounts held in the Remarketing Account which are derived from the remarketing of Bank Bonds which are Bonds shall be held in trust for the benefit of the Bank).

Rebate Fund. Within the Rebate Fund, the Trustee shall maintain the accounts required by the Tax Agreement if so directed in writing by the Authority or the Borrower. Within the Rebate Fund, the Trustee shall maintain such accounts as it is instructed to maintain by the Borrower as shall be necessary in order to comply with the terms and requirements of the Tax Certificate. Subject to the transfer provisions below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America, and no other person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the Tax Certificate. The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Borrower including supplying all necessary information in the manner provided in the Tax Certificate, shall not be required to take any actions thereunder, in the absence of written directions by the Borrower, and shall have no liability or responsibility to enforce compliance by the Borrower or the Authority with the terms of the Tax Certificate.

Upon the Borrower's written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Borrower if and to the extent required, so that the balance of the amount on deposit thereto shall be equal to the amount of rebate to be paid to the United States of America. Computations of such rebate amount shall be furnished by or on behalf of the Borrower in accordance with the Tax Certificate.

Allocation of Revenues

On or before any date on which interest or principal (whether at maturity, or by redemption or acceleration) is due, the Trustee shall transfer funds from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts, in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: to the Interest Account, the aggregate amount of interest becoming due and payable (i) on the next succeeding Interest Payment Date on all Bonds then Outstanding and (ii) on the date of redemption on the principal amount of the Bonds to be redeemed, until the balance in said account is equal to said aggregate amount of interest. Amounts in the Interest Account shall be used to pay interest on the Bonds (to the extent such funds constitute Available Moneys) or to reimburse the Bank for draws on the Letter of Credit to pay interest on the Bonds.

Second: to the Principal Account, the amount paid by the Borrower and designated as or attributable to principal on the Bonds in the most recent Base Loan Payment equal to the aggregate amount of principal due on the next principal payment date. Amounts in the Principal Account shall be used to pay principal of the Bonds (to the extent such funds constitute Available Moneys) or to reimburse the Bank for draws on the Letter of Credit to pay principal of the Bonds.

Third: to the Redemption Account, the aggregate amount of principal and premium, if any, next coming due by acceleration or by redemption permitted or required under the Indenture, or any portion thereof paid by the Borrower. Amounts in the Redemption Account shall be used to pay the redemption price of the Bonds (to the extent such funds constitute Available Moneys) or to reimburse the Bank for draws on the Letter of Credit to pay the redemption price of Bonds.

Priority of Moneys in Revenue Fund

Funds for the payment of the principal or redemption price of and interest on the Bonds shall be derived from the following sources in the order of priority indicated in each of the accounts in the Revenue Fund; provided however, that amounts in the Letter of Credit Account in the Revenue Fund shall be used to pay the principal or redemption price of and interest on the Bonds held by Holders other than the Bank:

- (i) moneys paid into the Letter of Credit Account of the Revenue Fund from a draw by the Trustee under the Letter of Credit;
- (ii) moneys paid into the Revenue Fund for purposes of defeasance pursuant to the Indenture and proceeds from the investment thereof, which constitute Available Moneys;
- (iii) any other moneys (other than from draws on the Letter of Credit) paid into the Revenue Fund and deposited in the Revenue Fund and proceeds from the investment thereof, which constitute Available Moneys; and
- (iv) any other moneys paid into the Revenue Fund and deposited in the Revenue Fund and proceeds from the investment thereof, which are not Available Moneys.

Letter of Credit Account; Letter of Credit; Alternate Letter of Credit

The Trustee shall create within the Revenue Fund a separate account called the “Letter of Credit Account,” into which all moneys drawn under the Letter of Credit (other than amounts drawn to pay the Purchase Price of Bonds tendered or deemed tendered under the Indenture) shall be deposited and shall apply such amounts to the payment when due of the principal of, premium, if any, if draws therefor are provided for under the Letter of Credit, and interest on the Bonds with respect to which such demand was made before using any other funds available in the Revenue Fund for such purpose. Neither the Borrower nor the Authority shall have any right, title or interest in the Letter of Credit Account. The Letter of Credit Account shall be established and maintained by the Trustee and held in trust apart from all other moneys and securities held under the Indenture or otherwise, and over which the Trustee shall have the exclusive and sole right of withdrawal for the exclusive benefit of the Holders of the Bonds with respect to which such drawing was made.

Letter of Credit. The Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof in an amount necessary to make full and timely payments of principal of and interest on the Bonds, other than Bonds known to the Trustee to be owned by or for the account of the Borrower or the Bank, when due whether at maturity, redemption, acceleration, an Interest Payment Date, or otherwise, and payments required to be made pursuant to, and in accordance with the Indenture. The Trustee shall draw on the Letter of Credit in accordance with the terms thereof in the amount necessary to provide to the Trustee or the Tender Agent sufficient funds to make whatever payments are due on such Bond Payment Date. Any excess moneys drawn under the Letter of Credit not required to pay interest on the Bonds shall be returned to the Bank.

The Trustee shall hold and maintain the Letter of Credit for the benefit of the Bondholders until the Letter of Credit expires in accordance with its terms. The Trustee shall enforce all terms, covenants and conditions of the Letter of Credit, including drawing on the Letter of Credit as required to provide for all payments of debt service or Purchase Price of Bonds, and the provisions relating to the payment of draws on, and reinstatement of amounts that may be drawn under, the Letter of Credit, and will not consent to, agree to or permit any amendment or modification of the Letter of Credit which would materially adversely affect the rights or security of the Holders of the Bonds. If at any time during the term of the Letter of Credit any successor Trustee shall be appointed and qualified under the Indenture,

the resigning or removed Trustee shall request that the Bank transfer the Letter of Credit to the successor Trustee. If the resigning or removed Trustee fails to make the request, the successor Trustee shall do so before accepting appointment. When the Letter of Credit expires in accordance with its terms or is replaced by an Alternate Letter of Credit, the Trustee shall immediately surrender the Letter of Credit to the Bank.

Alternate Letter of Credit. If at any time there is an Alternate Letter of Credit, then the times and timing specified in the preceding section will be modified so as to provide Bondholders the full benefit of the provisions of the Alternate Letter of Credit.

If at any time there shall have been delivered to the Trustee an Alternate Letter of Credit pursuant to the Agreement and the opinions and documents required by the Agreement in connection therewith, then the Trustee shall accept such Alternate Letter of Credit and, if so directed by the Borrower, upon the effectiveness of such Alternate Letter of Credit and the payment of the Purchase Price of all Bonds tendered for purchase pursuant to a mandatory tender for purchase required in connection with the substitution of such Alternate Letter of Credit (either from the proceeds of the remarketing of such Bonds or from amounts made available under the Letter of Credit being replaced by such Alternate Letter of Credit) promptly surrender the Letter of Credit theretofore in effect with respect to the Bonds in accordance with the respective terms thereof for cancellation; provided the Trustee shall not surrender any Letter of Credit until all draws or requests to purchase Bonds made under such Letter of Credit in strict conformance with the applicable provisions of the Letter of Credit have been honored. In the event that the Borrower elects to provide an Alternate Letter of Credit, all Bonds secured by the Letter of Credit being replaced shall be subject to mandatory tender as provided in the Indenture. If at any time all Bonds shall cease to be Outstanding under the Indenture or the conditions specified in the Agreement permitting the Borrower to discontinue providing a Letter of Credit with respect to the Bonds shall be satisfied, or a Letter of Credit shall be terminated pursuant to its terms, the Trustee shall promptly surrender such Letter of Credit in accordance with its terms for cancellation. The Trustee shall comply with the procedures set forth in the Letter of Credit relating to the termination thereof.

Deposit of Bonds.

The Trustee agrees to accept and hold all Bonds delivered to it pursuant to the Indenture in trust for the benefit of the respective Bondholders or Beneficial Owners which shall have so delivered such Bonds until the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Holders or Beneficial Owners pursuant to the Indenture. Any Bonds registered for transfer to new purchasers and delivered to the Trustee shall be held in trust by the Trustee for the benefit of such new purchasers until delivery to such new purchasers.

Investment of Moneys in Funds

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Trustee as directed by Request of the Borrower and approved by the Bank, solely in Investment Securities. Notwithstanding any other provision in the Indenture, in the absence of written investment instructions to the Trustee, the Trustee is directed to invest available funds in the Investment Securities listed in clause B(5) of the definition thereof. The Trustee shall not be liable for any consequences resulting from any investments made pursuant to the preceding sentence.

Investment Securities may be purchased at such prices as the Trustee may in its discretion determine or as may be directed by Request of the Borrower and approved by the Bank. All Investment Securities shall be acquired pursuant to Borrower's instructions which are subject to any limitations set forth in the Tax Certificate and the limitations as to maturities set forth in the Indenture.

Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Notwithstanding anything else in the Indenture, moneys in the Letter of Credit Account, the Remarketing Agreement and the Letter of Credit Purchase Account created in the Indenture and moneys held for Bonds deemed tendered but not presented for purchase, including moneys in the Unclaimed Money Account, shall be held uninvested, and any moneys held for the payment of particular Bonds shall be solely invested in the Investment Securities described in paragraph B(5) of the definition thereof.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the fund or account which generated such earnings. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund from which such accrued interest was paid.

Accounting Records and Reports

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with the Trustee's accounting practices for books of record and account relating to similar trust accounts and in accordance with the customary standards of the industry for such books of record and account, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority, the Borrower and any Bondholder, or their respective agents or representatives duly authorized in writing, at reasonable hours, upon reasonable notice and under reasonable circumstances. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its duties under the Indenture.

Events of Default; Remedies on Default

Each of the following events is an "Event of Default" under the Indenture:

- (a) default in the due and punctual payment of the principal of, or premium (if any) on, any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;
- (b) default in the due and punctual payment of any installment of interest on any Bond, when and as such interest installment shall become due and payable;
- (c) default in the due and punctual payment of the Purchase Price of any Bond tendered for purchase pursuant to the Indenture;
- (d) failure by the Authority to perform or observe any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and the continuation of such failure for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority, the Bank, and the Borrower by any of the Trustee, the Bank, or the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding;
- (e) the occurrence and continuance of a Loan Default Event;
- (f) receipt by the Trustee of written notice from the Bank that an event of default has occurred under the Reimbursement Agreement and directing the Trustee to accelerate the Bonds; or

No default specified in (d) above shall constitute an Event of Default unless the Authority and the Borrower shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the Borrower within the applicable period and diligently pursued in the sole determination of the Bank. With regard to any alleged default concerning which notice is given to the Authority and Borrower under the provisions of the Indenture, the Authority grants the Borrower full authority for account of the Authority to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Authority with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts and with power of substitution. Notwithstanding such grant, the Borrower shall not have any obligation to cure any default of the Authority.

Subject to the right of the Bank to direct all remedial proceedings, during the continuance of an Event of Default described in (a), (b), (c), (d), or (e) above, unless the principal of all the Bonds shall have already become due and payable, the Trustee may, with the written consent of the Bank, and upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, or upon the occurrence of an Event of Default described in (f) above, the Trustee shall, immediately upon such occurrence, by notice in writing to the Authority, the Borrower, and the Bank, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding; provided, however, that there shall be no acceleration due to an Event of Default described in (a), (b), (c), (d), or (e) above absent written consent of the Bank. Upon any such declaration the Trustee shall immediately draw upon any then existing Letter of Credit in accordance with the terms thereof and apply the amount so drawn to pay the principal of and interest on the Bonds so declared to be immediately due and payable. Interest on the Bonds shall cease to accrue as of the date of the declaration of acceleration by the Trustee. The Trustee shall notify the Bondholders of the date of acceleration and the cessation of accrual of interest on the Bonds in the same manner as for a notice of redemption. The Trustee shall also provide notice of acceleration to the Rating Agency.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, and before the Letter of Credit has been drawn upon in accordance with its terms and honored, there shall have been deposited with the Trustee a sum sufficient to pay (with Available Moneys) all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal as provided in the Agreement, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the Borrower, the Bank and to the Trustee, may, on behalf of the Holders of all the Bonds, or the Bank may, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon. Notwithstanding any other provision of the Indenture, so long as the Letter of Credit is in effect and the Bank has not wrongfully failed to make a payment thereunder, the Trustee may not exercise any remedy in the event of a default under circumstances described in (a) through (e) above without the written consent of the Bank. The Trustee may exercise any and all remedies under the Indenture and the Agreement (except acceleration) to collect any fees, expenses and indemnification from the Borrower without obtaining the consent of the Bank.

Institution of Legal Proceedings by Trustee. Subject to the right of the Bank to direct all remedial proceedings, if one or more of the Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction therefor shall, proceed to protect or enforce its rights or the rights of the holders of Bonds under the Act or under the Indenture or the Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture.

Application of Revenues and Other Funds After Default. Subject to the right of the Bank to direct all remedial proceedings and the application of Revenues and other funds under the Indenture, if an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than funds on deposited in the Rebate Fund and the Bond Purchase Fund) shall be applied by the Trustee as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and payment of reasonable fees, charges and expenses (including those previously outstanding) of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture (provided, however, that any payments under the Letter of Credit shall not be so applied);

(2) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Third: To the payment of obligations of the Borrower to the Bank under the Reimbursement Agreement; or

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, first to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond,

according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference, second to the payment of obligations of the Borrower to the Bank under the Reimbursement Agreement; provided, however, that neither moneys derived from drawings under the Letter of Credit, moneys set aside to pay principal or interest on any particular Bonds, nor the proceeds from remarketing of the Bonds shall be used to pay anything other than principal or interest on, or Purchase Price of, the Bonds, as otherwise provided herein.

Trustee Appointed Agent for Bondholders. The Trustee is appointed the agent and attorney of the Holders of all Bonds Outstanding under the Indenture for the purpose of filing any claims relating to the Bonds.

Limitation on Bondholders' Right to Sue

No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Loan Agreement, the Act or any other applicable law with respect to such Bond, unless (1) such Holder has given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

The Trustee

The Trustee shall perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee may resign or be removed and a successor Trustee appointed under the circumstances and as provided in the Indenture.

The Tender Agent

The Authority has appointed the Trustee as initial Tender Agent. The Tender Agent shall designate its principal office and signify its acceptance of all of the duties and obligations imposed upon it under the Indenture by a written instrument of acceptance delivered to the Authority, the Trustee, the Bank and the Remarketing Agent. The Tender Agent shall perform the duties provided for in the Indenture and in exercising such duties shall be entitled to the same rights and immunities applicable to the Trustee as set forth in the Indenture and shall not be liable for any action or omission to act except for negligence or willful misconduct. Notwithstanding any provision in the Indenture to the contrary, the Tender Agent shall not be responsible for any misconduct or negligence on the part of any agent, correspondent, attorney or receiver appointed with due care by it under the Indenture. When acting as co-authenticating agent under the Indenture, the Tender Agent shall promptly notify the Trustee in writing of transfers and exchanges of Bonds. The Tender Agent and any successor to the Tender Agent shall be a bank or trust company organized and doing business under the laws of the United States of America or any state and shall have (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a capitalization of at least \$75,000,000 as

shown in its most recent published annual report and at all times when the Bonds are not Book-Entry Bonds shall have an office for servicing the Bonds in New York, New York.

The Tender Agent may resign or be removed and a successor Tender Agent appointed under the circumstances and as provided in the Indenture.

The Remarketing Agent

The Authority, with the advice of the Borrower, shall appoint the Remarketing Agent for the Bonds, subject to the conditions set forth in the Indenture. The Remarketing Agent shall designate to the Trustee its principal office and signify its acceptance of the duties and obligations imposed by the Remarketing Agreement and the Indenture including setting interest rates on the Bonds and remarketing the Bonds. There may be separate Remarketing Agents for these two functions. Any successor Remarketing Agent shall be a bank, trust company or member of the National Association of Securities Dealers, Inc. organized and doing business under the laws of the United States of America or any state or the District of Columbia and shall have a capitalization of at least \$50,000,000 as shown in its or its parent's (as applicable) most recent published annual report. The initial Remarketing Agent shall be Banc of America Securities LLC. Subject to the terms of the Remarketing Agreement, the Remarketing Agent may for its own account or as broker or agent for others deal in Bonds and may do anything any other Owner may do to the same extent as if the Remarketing Agent were not serving as such. The Remarketing Agent shall hold all moneys delivered to it in connection with the remarketing of Bonds in trust in non-commingled funds for the benefit of the person or entity which has delivered such moneys until such moneys are delivered to the Trustee or the Tender Agent, as applicable, as provided in the Indenture. The Remarketing Agent shall not sell Bonds to the Authority, the Borrower or any guarantor of the Borrower.

The Remarketing Agent may resign or be removed and a successor Remarketing Agent appointed under the circumstances and as provided in the Indenture.

The Bond Registrar

The Authority has designated the Trustee as initial Bond Registrar. A Bond Registrar appointed pursuant to the Indenture shall be a corporation or association organized and doing business under the laws of the United States of America or any state or the District of Columbia, subject to supervision or examination by the United States of America, any state or the District of Columbia authority and having (or in the case of a bank or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000 as set forth in its most recent published annual report of condition. The Bond Registrar shall perform the duties provided for in the Indenture and in exercising such duties shall be entitled to the same rights and immunities applicable to the Trustee as set forth in the Indenture and shall not be liable for any action or omission to act except for negligence or willful misconduct.

The Bond Registrar may resign or be removed and a successor Bond Registrar appointed under the circumstances and as provided in the Indenture.

Modification of Indenture

(a) Modification without Consent of Bondholders. The Indenture and the rights and obligations of the Authority, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time, with the prior written consent of the Bank, by an indenture or indentures supplemental to the Indenture, which the Authority and the Trustee may enter into without the consent of any Bondholders, but only to the extent permitted by law and after receipt of an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Holders of the Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the Indenture;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(4) to conform to the terms and provisions of any Alternate Letter of Credit or to obtain a rating on the Bonds;

(5) to preserve the status of the interest on the Bonds as excludable from gross income for federal income tax purposes and exempt from State of California personal income taxes;

(6) to provide for the terms of any interest rate swap agreement or related or similar agreement entered into with respect to the Bonds; or

(7) in connection with an amendment of the Agreement for the purpose of conforming terms, conditions and covenants of the Indenture to the corresponding or related provisions of such amended Agreement.

(b) Modification with Consent of Bondholders. The Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental to the Indenture, which the Authority and the Trustee may enter into when the written consent of the Holders of sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of all Bonds then Outstanding, and the Bank, shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture) or

impair the right of Owners of Bonds to demand purchase thereof pursuant to the Indenture, without the consent of the Holders of all of the Bonds then Outstanding.

Discharge of Indenture

The Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid with Available Moneys the principal of, interest and premium, if any, on the Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem with Available Moneys all Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, and if, after payment of all amounts due to the Trustee under the Indenture, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in the Indenture. In such event, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Bank all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. Notwithstanding any provision of the Indenture or the Agreement to the contrary, under no circumstances shall any proceeds of a draw on the Letter of Credit or any remarketing proceeds be paid to the Authority or the Borrower.

Discharge of Liability on Bonds

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate and be completely discharged, except only that the Holder thereof shall thereafter be entitled to payment of the principal of and interest on such Bond by the Authority, and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, and such money and securities shall be pledged to such payment.

Deposit of Money or Securities with Trustee

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture (exclusive of the Rebate Fund, the Unclaimed Moneys Account, the Letter of Credit Account in the Revenue Fund, and moneys held for the payment of particular Bonds) and shall be:

(a) Available Moneys in an equal amount to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Investment Securities of the type described in clause (B)(2) of the definition of Investment Securities in the Indenture which are non-callable and purchased with Available Moneys, the principal of and interest on which when due will provide money sufficient (in the opinion of an independent certified public accountant) to pay the principal of, premium, if any, all unpaid interest to maturity, or to the redemption date, on the Bonds to be paid or redeemed, as such principal and interest become due, with maturities no longer than 30 days or as may be necessary to make the required payment on the Bonds provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice.

Notwithstanding any other provision of the Indenture to the contrary, the provisions of the Indenture pertaining to discharge of liability on the Bonds by providing for deposit with the Trustee of money or securities in the necessary amount to pay or redeem any Outstanding Bond shall apply only when a Term Interest Rate is in effect, and any such payment or redemption shall occur at the end of the then current Term Interest Rate Period.

Tax Covenants

The Authority and the Borrower covenant and agree that they will make no use of the proceeds of the Bonds which will cause the Bonds to be obligations other than obligations described in Section 103(a) of the Code. The Authority and the Borrower will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority or the Borrower, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Authority and the Borrower will comply with all requirements of Section 148 of the Code and all applicable regulations of the United States Department of Treasury proposed or promulgated thereunder.

Notwithstanding any provision of this section, if the Borrower shall provide to the Trustee, the Bank and the Authority an opinion of Bond Counsel that any action required with respect to the tax covenants under the Indenture is no longer required, or that some further action is required to maintain the Tax-Exempt status of interest on the Bonds, the Trustee and the Authority may rely conclusively on such opinion in complying with the requirements described in this section, and the covenants contained in the Indenture shall be deemed to be modified to that extent.

In the event that at any time the Authority is of the opinion that for purposes of the tax covenants contained in the Indenture it becomes necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, notwithstanding anything to the contrary in the

Indenture, the Authority shall so instruct the Trustee in a Request of the Authority accompanied by a supporting Opinion of Bond Counsel, and the Trustee shall take such action as may be directed in accordance with such instructions; provided, however, the Authority may not instruct the Trustee to invest moneys in other than Investment Securities.

Punctual Payment.

Except with the written consent of the Bondholders and the Bank, the Authority shall punctually pay or cause to be paid the principal, Purchase Price of and the interest (and premium, if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture (including the proceeds of any demand under the Letter of Credit).

Extension of Payment of Bonds.

Except with the written consent of the Bondholders and the Bank, the Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Authority to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Against Encumbrances.

The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture, including the proceeds and demands under any Letter of Credit, while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment.

The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the valid and binding limited obligations of the Authority in accordance with their terms, and the Authority and Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bondholders under the Indenture against all claims and demands of all persons whomsoever.

Preservation of Revenues.

The Authority shall not waive any provision of the Agreement or take any action to interfere with or impair the pledge and assignment under the Indenture of Revenues and the assignment to the Trustee of rights under the Agreement, or the Trustee's enforcement of any rights thereunder, without the prior written consent of the Trustee and the Bank. The Trustee may give such written consent, and may itself

take any such action, or consent to any Amendment, only in accordance with the provisions of the Indenture governing the modification of the Indenture.

Other Covenants; Amendment of the Agreement

Subject to the provisions of the Indenture, the Trustee shall upon receipt of amounts due from the Borrower pursuant to the Agreement, perform such duties as are expressly provided for in the Indenture which are imposed upon the Authority under the Agreement and assigned to it pursuant to the Indenture and shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of the rights of the Authority under the Agreement as assigned to the Trustee.

The Authority shall not amend, modify or terminate any of the terms of the Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee and the Bank. The Trustee shall give such written consent if but only if (1) it has received a written representation from the Authority to the effect that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (which written representation may be based on representations of other parties in accordance with the provisions of the Indenture); provided that, if an Event of Default has occurred and is continuing, the Trustee rather than the Authority shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), or (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Base Loan Payments to be made to the Authority or the Trustee by the Borrower pursuant to the Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

The Authority shall not waive any provision of the Agreement or take any action to interfere with or impair the pledge and assignment under the Indenture of Revenues and the assignment to the Trustee of rights under the Agreement, or the Trustee's enforcement of any rights thereunder, without the prior written consent of the Trustee and the Bank. The Trustee may give such written consent, and may itself take any such action, or consent to any Amendment, only in accordance with the provisions of the Indenture governing the modification of the Indenture.

The Authority shall not issue, or permit to be issued, any Bonds secured or payable in any manner out of Revenues in any manner other than in accordance with the provisions of the Indenture, and shall not suffer or permit any default to occur under the Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements of the Indenture.

The Authority will make, execute and deliver any and all indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention, or to facilitate the performance of, the Indenture and for the better assuring and confirming unto the Owners of the Bonds and the Bank the rights and benefits provided in the Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

Certain provisions of the Loan Agreement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Loan Agreement.

Payment of Bonds and Certain Other Expenses

Pursuant to the Loan Agreement, the Borrower agrees that it will pay to the Trustee, for the account of the Authority, all sums necessary for the payment of the debt service on the Bonds, as follows:

(1) On or prior to each Bond Payment Date (whether at maturity, by redemption or by acceleration as provided in the Indenture) with respect to the Bonds and continuing until the principal of and premium, if any, and interest on the Bonds shall have been fully paid (or provision for the payment thereof shall have been made as provided in the Indenture), the Borrower shall pay in funds which will be immediately available as of such time and date, as an installment in repayment of the loan from the Authority under the Agreement, a sum equal to the aggregate amount payable on such date as principal of (whether at maturity, by redemption or by acceleration as provided in the Indenture) and premium, if any, and interest on the Bonds, at the Principal Corporate Trust Office of the Trustee; provided, however, that the Borrower may make the payments required under the Loan Agreement directly to the Bank.

(2) Each payment made pursuant to the provisions of the Agreement recited in the foregoing paragraph shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) and premium, if any, then payable on the Bonds; provided that any amount held by the Trustee in the Revenue Fund on any due date for a Base Loan Payment under the Loan Agreement shall be credited against the Base Loan Payment due on such date, to the extent available for such purpose; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Revenue Fund are sufficient to pay all of the principal of and interest and premium, if any, on the Bonds as such payments become due, the Borrower shall be relieved of any obligation to make any further payments under the Agreement. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption or acceleration) and interest and premium, if any, on the Bonds as such payments become due, the Borrower shall forthwith pay such deficiency as a Base Loan Payment. If the Borrower desires to prepay the Base Loan Payments to cause optional redemption of the Bonds pursuant to the Indenture, and a premium would be required for such redemption pursuant to the Indenture, if such premium will not be covered by the Letter of Credit, the Borrower shall deposit the amount of the premium so payable with the Trustee at least 123 days prior to the proposed date fixed for redemption.

(3) The obligation of the Borrower to make any payment under the provisions of the Agreement recited in (1) above shall be deemed to have been satisfied to the extent of any corresponding payment made by the Bank to the Trustee under the Letter of Credit. The Borrower agrees that any amounts due as a result of the acceleration of the maturity of the Bonds shall be due and payable immediately upon such acceleration.

Obligations of the Borrower Unconditional

The Borrower pledges its full faith and credit to the payments it is required to make under the Agreement. The obligations of the Borrower to make the Base Loan Payments and Additional Payments and to perform and observe the other agreements on its part contained in the Agreement shall be absolute and unconditional general unsecured obligations of the Borrower. Until such time as the principal of and premium, if any, and interest on all Bonds shall have been fully paid (or provision for the payment thereof shall have been made as provided in the Indenture), the Borrower (i) will not suspend or discontinue any Base Loan Payments or Additional Payments, (ii) will perform and observe all of its other agreements

contained in the Agreement and (iii) will not terminate the Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to, or taking or condemnation of, all or any part of the Project or the Facilities, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either of these, or any failure of the Authority or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement or the Indenture. The Agreement shall be deemed and construed to be a “net contract,” and the Borrower shall pay absolutely net the Base Loan Payments, Additional Payments and all other payments required under the Agreement, free of any deductions, without abatement, diminution or set off other than those expressly provided in the Agreement.

Prepayments

The Borrower may at any time prepay all or any part of the Base Loan Payments payable under the Agreement by providing written notice at least 15 days prior to the last day by which the Trustee is permitted to give notice pursuant to the Indenture to the Trustee, the Bank, and the Authority specifying the date of such prepayment, for the purposes and at the prices set forth in the Indenture, and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered by the Borrower. All such prepayments shall be deposited in the Revenue Fund and credited against the Base Loan Payments in the order of their due date or, at the election of the Borrower exercised in a Request of the Borrower in accordance with the Indenture, used for the redemption of Outstanding Bonds of such maturities in the amounts and on the redemption dates specified in such Request; provided that the redemption date shall be such as to comply with the optional redemption provisions of the Indenture and the notice provisions of the Indenture. Notwithstanding any such prepayment, the Borrower shall not be relieved of its obligations under the Agreement until all of the Bonds have been fully paid and retired (or provision for payment thereof shall have been made as provided in the Indenture).

If the Borrower is not in default in the payment of any Base Loan Payments or Additional Payments, the Authority, at the Request of the Borrower, at any time when the aggregate moneys in the Revenue Fund established pursuant to the Indenture, including any prepayment deposited therein under the foregoing paragraph, are sufficient to effect redemption of all or part of the then Outstanding Bonds, and if such Bonds are then redeemable under the provisions of the Indenture, shall forthwith take all steps that may be necessary to effect such redemption in accordance with the Request of the Borrower. The Authority agrees that it will redeem the Bonds pursuant to the Indenture only pursuant to a Request of the Borrower.

Agreement to Acquire and Construct the Project

The Borrower agrees that it will acquire, construct, install, improve, renovate, remodel, furnish and equip, or complete the acquisition, construction, installation, improvement, renovation, remodeling, furnishing and equipping of, the Project, and will acquire, construct, install, improve, renovate, remodel, furnish and equip all other facilities and real and personal property deemed necessary for the operation of the Project as a part of the Facilities, substantially in accordance with the description of the Project contained in the Agreement, including any and all supplements, amendments and additions or deletions thereto or therefrom, it being understood that the approval of the Authority shall not be required for changes in such descriptions which do not substantially alter the purpose and description of the Project referred to above.

In the event that the Borrower desires to alter or change the Project, and such alteration or change substantially alters either the purpose or the description of the Project, as described in the Loan Agreement, including any and all supplements, amendments and additions or deletions thereto or therefrom, the Authority will enter into, and will instruct the Trustee to consent to, such amendment or

supplement to the Agreement as shall be required to reflect such alteration or change to the Project upon receipt of: (a) a certificate of the Authorized Representative of the Borrower describing in detail the proposed changes; (b) a copy of the proposed form of such amendment or supplement; and (c) an Opinion of Bond Counsel that such proposed changes, in and of themselves, will not adversely affect the Tax-Exempt status of interest on the Bonds.

In the event the moneys in the Project Fund available for payment of the Costs of the Project should be insufficient to pay the costs thereof in full, the Borrower agrees to pay directly, or to deposit in the Project Fund moneys sufficient to pay, any costs of completing the Project in excess of the moneys available for such purpose in the Project Fund. The Authority makes no express or implied warranty that the moneys deposited in the Project Fund and available for payment of the Costs of the Project under the provisions of the Agreement, will be sufficient to pay all the amounts which may be incurred for such Costs of the Project. The Borrower agrees that if, after exhaustion of the moneys in the Project Fund, the Borrower should pay, or deposit moneys in the Project Fund for the payment of, any portion of the costs of the Project pursuant to the provisions of the Agreement, it shall not be entitled to any reimbursement therefor from the Authority, from the Trustee, from the Bank or from the Holders of any of the Bonds, nor shall it be entitled to any diminution of the Base Loan Payments and Additional Payments payable under the Agreement.

Certain Covenants of the Borrower

Tax Covenants

(a) The Borrower covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Borrower covenants that it shall comply with the requirements of the Tax Certificate. This covenant shall survive the payment in full or the defeasance of the Bonds.

(b) In the event that at any time the Borrower is of the opinion that it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Borrower shall so instruct the Authority and the Trustee in a Request of the Borrower accompanied by an Opinion of Bond Counsel.

(c) Notwithstanding any provisions of the Agreement, if the Borrower provides to the Trustee and the Authority an Opinion of Bond Counsel to the effect that any specified action required under the Agreement is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the Agreement and the Tax Certificate, and the covenants under the Agreement shall be deemed to be modified to that extent.

Other Covenants of the Borrower

The Borrower covenants as follows so long as any Bonds are Outstanding:

(a) **Maintenance of Corporate Existence.** The Borrower agrees that during the term of the Agreement and so long as any Bond is Outstanding, it will maintain its corporate existence as a nonprofit public benefit corporation qualified to do business in the State and as an organization described in Section 501(c)(3) of the Code, will not dissolve, sell or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, however, that the Borrower may, without violating the foregoing agreements contained in the Loan Agreement, consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it, or sell or

otherwise transfer to another corporation all or substantially all of its assets as an entirety and thereafter dissolve if: the Borrower is the surviving, resulting or transferee corporation, as the case may be; or if the Borrower is not the surviving, resulting or transferee corporation, as the case may be, the surviving, resulting or transferee corporation, as the case may be, (i) is a corporation organized under the laws of the United States or any state, district or territory thereof; (ii) is qualified to do business in the State; (iii) assumes in writing, if such corporation is not the Borrower, all of the obligations of the Borrower under the Agreement; and (iv) is not, after such transaction, otherwise in default under any provisions of the Agreement.

Notwithstanding the foregoing, as a condition precedent to any consolidation, merger, sale or other transfer, the Trustee, the Bank and the Authority shall receive (i) an Opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not in and of itself adversely affect the Tax-Exempt status of interest on the Bonds; (ii), to the extent a Letter of Credit is required to be maintained by the terms of the Agreement or the Indenture, the written consent of the Bank to such contemplated corporate control event together with a written acknowledgement that the Letter of Credit will remain in effect; and (iii) a Certificate of the Borrower and a certificate of the putative surviving corporation or transferee, if other than the Borrower, to the effect that the covenants under the Loan Agreement will be met after such consolidation, merger, sale or transfer.

Notwithstanding any other provision of the Loan Agreement, the Borrower need not comply with any of the above provisions of the Loan Agreement governing a corporate control event (other than the delivery of the Opinion of Bond Counsel and the prior written consent of the Bank) if, at the time of such transaction, all of the Bonds will be defeased as provided in the Indenture.

(b) **Assignment of Borrower's Obligations Under the Agreement.** The rights and obligations of the Borrower under the Agreement may, with the consent of the Bank, be assigned by the Borrower, in whole or in part; provided, however, that any assignment other than pursuant the above described provision of the Agreement shall be subject to each of the following conditions:

(1) No such assignment shall relieve the Borrower from primary liability for any of its obligations under the Loan Agreement, and the Borrower shall continue to remain primarily liable for the payments specified in the Loan Agreement, and for performance and observance of the other agreements on its part herein provided to be performed and observed.

(2) Any such assignment from the Borrower shall retain for the Borrower such rights and interests as will permit it to perform its obligations under the Agreement, and any assignee from the Borrower shall assume the obligations of the Borrower under the Loan Agreement to the extent of the interest assigned.

(3) The Borrower shall, within thirty (30) days after delivery thereof, furnish or cause to be furnished to the Authority, the Bank and the Trustee a true and complete copy of every such assignment together with an instrument of assumption.

(4) The Borrower shall cause to be delivered to the Authority and the Trustee an Opinion of Bond Counsel to the effect that such assignment will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds.

(c) **Maintenance, Operation and Use of the Project and the Facilities.** The Borrower will use its best efforts to cause the Project to be maintained in good condition and repair, will maintain, operate and use the Project, during the useful life thereof, as an integral part of the Facilities and will not alienate, sell, convey or transfer the Project unless it provides to the Trustee and the Authority an Opinion of Bond Counsel to the effect that such alienation, sale, conveyance or transfer will not adversely affect the Tax-Exempt status of interest on the Bonds.

(d) *Compliance with Laws.* The Borrower will comply with all material laws, statutes, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Project, the Facilities, the Borrower or the operations thereof, and it will not commit, suffer or permit any act to be done in violation of any law, ordinance or regulation, except, in each case, where such noncompliance or act would not have a material adverse effect upon the Borrower's assets, operations or financial condition.

(e) *ERISA.* The Borrower shall not, with respect to any ERISA Plan, take certain actions which subject the Borrower to certain liabilities (set forth in the Agreement) under the provisions of ERISA.

(f) *Taxes, Assessments, Other Governmental Charges and Utility Charges.* For so long as the Facilities are in operation, the Borrower agrees that between the Authority and the Borrower, the Borrower will pay or cause to be paid during the term of the Agreement all taxes, governmental charges of any kind lawfully assessed or levied upon the Facilities or any part thereof, including any taxes levied against the Facilities, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facilities and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Facilities, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower, to the extent described in the Agreement, shall be obligated thereunder to pay only such installments as are required to be paid during the term of the Agreement. The Borrower may, at the Borrower's expense and in the Borrower's name, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during that period of such contest and any appeal therefrom unless by such nonpayment the Facilities or any part thereof will be subject to loss or forfeiture.

(g) *Notice of Event of Default.* The Borrower will furnish, as soon as practicable and in any event within ten (10) days after it has knowledge thereof, to the Authority, the Bank and the Trustee notice of any event which constitutes, or which with the giving of notice or the passage of time or both would constitute, an event of default under the Agreement, which notice shall set forth the nature of such event and the action which the Borrower proposes to take with respect thereto.

(h) *Continuing Disclosure.* The Borrower covenants and agrees, whenever a Term Interest Rate Period of longer than nine months is in effect or if otherwise required by Rule 15c2-12, to comply with the continuing disclosure requirements for the Bonds as promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. Notwithstanding any other provision of the Agreement, failure of the Borrower to comply with the requirements of Rule 15c2-12 applicable to the Bonds, as it may from time to time hereafter be amended or supplemented, shall not be considered an Event of Default under the Loan Agreement or under the Indenture; however, the Trustee may (and, at the written request of the Remarketing Agent or the Holders of at least a majority of the aggregate principal amount of Outstanding Bonds and upon receipt of indemnity satisfactory to the Trustee, shall) or any Bondholder or beneficial owner (within the meaning of Rule 15c2-12) of any Bonds may take such actions as may be necessary or appropriate, including seeking mandate or specific performance by court order, to cause the Borrower to comply with its obligations pursuant to the provisions of the Agreement governing continuing disclosure obligations.

(i) *Insurance.* So long as any Bonds remain Outstanding, the Borrower will maintain or cause to be maintained with respect to the Facilities, with insurance companies or by means of self insurance, insurance of such type, against such risks and in such amounts as are customarily carried by public television stations located in the State of a nature similar to that of the Borrower, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance. The Borrower shall at all times also maintain worker's compensation coverage as required by the laws of the State. If the Authority shall so request in a Request of the Authority, the Borrower shall provide to the Authority summaries or other evidence of its insurance coverage.

(j) *Letter of Credit; Alternate Letter of Credit.* The Borrower agrees that throughout the term of the Agreement it will maintain or cause to be maintained the Letter of Credit, or an Alternate Letter of Credit. The Borrower has the option, which can be exercised at any time, to provide for the delivery of an Alternate Letter of Credit. Prior to the expiration of the existing Letter of Credit the Borrower is required to provide for the delivery of an Alternate Letter of Credit, unless the Bonds have been converted to a Term Interest Rate and a Letter of Credit is no longer required to be maintained pursuant to the Indenture.

An Alternate Letter of Credit shall be an irrevocable letter of credit or other irrevocable credit facility issued by a commercial bank, savings institution or other financial institution, and the terms of which shall, to the extent dictated by the terms of the Bonds, be the same as or similar to the Letter of Credit and acceptable to the Authority; provided, that the expiration date of such Alternate Letter of Credit shall be a date not earlier than one year from its date of issuance (subject to earlier termination upon payment of all Bonds in full or provision for such payment in accordance with the Indenture) and shall be not earlier than the last day of any Term Interest Rate Period then in effect or a date on which Bonds can be optionally redeemed pursuant to the Indenture. The Trustee shall accept any Alternate Letter of Credit that meets the requirements of the Agreement.

Agreement Represents Complete Agreement; Amendments

The Agreement, the Indenture and the Tax Certificate represent the entire contract between the Authority and the Borrower with respect to the Bonds, the loan of the proceeds thereof to the Borrower and related matters. The Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee and the Bank, given in accordance with the provisions of the Indenture. The Authority agrees that it will not consent to an amendment of the Indenture without the approval of the Borrower.

Events of Default

The following shall be “events of default” under the Agreement, and the terms “events of default” or “default” shall mean, whenever they are used in the Agreement, any one or more of the following events:

(a) The Borrower fails to make any Base Loan Payment or Additional Payment by its due date, and such failure continues for two (2) Business Days after such due date; or

(b) The Borrower fails to observe and perform any covenant, condition or agreement on its part required to be observed or performed under the Agreement, other than as referred to in paragraph (a) above, which continues for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the Borrower by the Authority or the Trustee, unless the Authority and the Trustee shall agree in writing to an extension of such time period; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the default is corrected; or

(c) Any of the representations or warranties of the Borrower made in the Agreement or in any other document, certificate or writing furnished by the Borrower to the Authority in connection with the application for or the negotiation of the Agreement or the issuance of the Bonds was false or incorrect in any material respect when made; or

(d) There is an unexcused default by the Borrower under any agreement or instrument to which it is a party relating to the borrowing of money either (1) in failing to pay any installment of

principal or interest in an aggregate amount of \$250,000 or more, which default shall not have been waived or excused within 90 days after the Borrower received notice of such default or (2) as a result of which indebtedness in an amount of \$1,000,000 or more shall have been accelerated and declared to be due and payable prior to its date of maturity; or

(e) The Borrower shall have repudiated its debts or become insolvent or admit in writing its inability to pay its debts as they mature or shall apply for, consent to or acquiesce in the appointment of a trustee, custodian, liquidator or receiver for itself or any part of its property, or shall take any action to authorize or effect any of the foregoing; or in the absence of any such application, consent or acquiescence, a trustee, custodian, liquidator or receiver shall be appointed for it or for a substantial part of its property or revenues and shall not be discharged within a period of 60 days; or all, or any substantial part, of the property of the Borrower shall be seized, or otherwise appropriated, or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the Borrower (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and if instituted against it, shall be consented to or acquiesced in by it, or shall not be dismissed within a period of 60 days.

Remedies on Default

(a) In the event any of the Bonds shall at the time be Outstanding and unpaid (and provision for the payment thereof shall not have been made as provided in the Indenture) or any event of default referred to in the Agreement shall have happened and be continuing the Authority or the Trustee may, with the consent of the Bank and shall, at the direction of the Bank, take any one or more of the following remedial steps:

(1) The Authority or the Trustee may, at its option, declare all installments of Base Loan Payments to be immediately due and payable, whereupon the same shall become immediately due and payable.

(2) The Authority or the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due under the Agreement, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, condition or covenant of the Borrower under the Agreement.

The term “all installments” shall mean an amount equal to the entire principal amount of the then Outstanding Bonds, together with all interest accrued or to accrue on and prior to the next succeeding redemption date or dates on which the Bonds can be and actually are redeemed after giving notice to the Holders thereof as required by the Indenture (less moneys available for such purpose then held by the Trustee) plus any other payments due or to become due under the Agreement, including, without limitation, any unpaid fees and expenses of the Authority, the Trustee and any paying agents of the Bonds which are then due or will become due prior to the time that the Bonds are paid in full and the trust established by the Indenture is terminated.

The provisions of the Agreement described in (a)(1) above, however, are subject to the condition that if, at any time after any portion of the Base Loan Payments shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all such Bonds, with interest on such overdue installments of principal as provided herein, and the reasonable fees and expenses of the Trustee, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable

solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority and to the Trustee accompanied by the written consent of the Bank, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; provided that no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

In case the Trustee or the Authority shall have proceeded to enforce its rights under the Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then, and in every such case, the Borrower, the Trustee, the Bank and the Authority shall be restored respectively to their several positions and rights under the Loan Agreement, and all rights, remedies and powers of the Borrower, the Trustee, the Bank and the Authority shall continue as though no such action had been taken (provided, however, that any settlement of such proceedings duly entered into by the Authority, the Trustee, the Bank or the Borrower shall not be disturbed by reason of this provision).

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Borrower under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for any property of the Borrower or in the case of any other similar judicial proceedings relative to the Borrower, or the creditors or property of the Borrower, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Borrower, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its reasonable charges and expenses to the extent permitted by the Indenture. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for reasonable compensation and expenses, including reasonable expenses and fees of counsel incurred by it up to the date of such distribution.

(b) No remedy in the Agreement conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or hereafter existing at law or in equity or by statute. No delay in exercising or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it by this provisions of the Agreement governing remedies upon an Event of Default, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Agreement. Such rights and remedies as are given the Authority under the Agreement shall also extend to the Trustee, and the Trustee and the Holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements therein contained except rights and remedies relating to fees, indemnification and notification. To the extent that any covenants and agreements in this Agreement expressly grant rights to a Bank, it shall be deemed a third party beneficiary of such covenants and agreements.

(c) No waiver by the Borrower, the Authority or the Trustee of the breach of any agreement or covenant contained in the Agreement shall be effective without the consent of the Bank, subject to the provisions of the Agreement. In the event any agreement or covenant contained in the Agreement should be breached by the Borrower and thereafter waived by the Authority or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder.

(d) In the event the Borrower should default under any of the provisions of the Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under the Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained in the Agreement, the Borrower agrees that it will on demand therefor pay to the Authority or the Trustee the reasonable fee of such attorneys and such other reasonable expenses so incurred by the Authority or the Trustee.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, A Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form:

[Closing Date]

ABAG Finance Authority for Nonprofit Corporations
Oakland, California

\$10,000,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
VARIABLE RATE DEMAND REVENUE BONDS
(KTEH FOUNDATION)
SERIES 2003

Ladies and Gentlemen:

We have examined a certified copy of the record of proceedings relating to the issuance by the ABAG Finance Authority for Nonprofit Corporations (the “Authority”) of \$10,000,000 aggregate principal amount of ABAG Finance Authority for Nonprofit Corporations Variable Rate Demand Revenue Bonds (KTEH Foundation) Series 2003 (the “Bonds”). The Bonds are issued pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and an indenture, dated as of September 1, 2003 (the “Indenture”), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The Bonds are issued for the purpose of making a loan of the proceeds thereof to KTEH Foundation (the “Foundation”), pursuant to a loan agreement, dated as of September 1, 2003 (the “Loan Agreement”), by and between the Authority and the Foundation. Payment of the principal and Purchase Price of and interest on the bonds is supported by an irrevocable direct pay letter of credit (the “Letter of Credit”) issued by Bank of America, N.A. (the “Bank”) pursuant to a reimbursement agreement, dated as of September 1, 2003 (the “Reimbursement Agreement”), by and between the Foundation and the Bank. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Indenture.

In our capacity as Bond Counsel, we have examined originals or copies certified or otherwise identified to our satisfaction, of the (i) Indenture and the Loan Agreement, (ii) the Tax Agreement dated September __, 2003, (iii) the Official Statement, dated September __, 2003 (the “Official Statement”), (iv) the Purchase Contract, dated September __, 2003 (the “Purchase Contract”), by and among the Foundation, the Authority and Banc of America Securities LLC (the “Underwriter”), (v) the Reimbursement Agreement, (vi) the Remarketing Agreement, (vii) letters, certificates and opinions of counsel to the Authority, the Foundation, the Trustee and others delivered pursuant to Section 3(d) of the Purchase Contract, and (viii), such other laws, documents, certifications, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have assumed, but have not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto other than the Authority and that all representations made in the documents that we have reviewed are true and correct.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of, premium, if any, and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture except the Rebate Fund and the Bond Purchase Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Authority in the Loan Agreement (to the extent more particularly described in the Indenture).
3. The Bonds are valid and binding limited obligations of the Authority, payable solely from the Revenues and other assets pledged and assigned therefor under the Indenture and are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge and assignment. The Bonds shall never constitute the debt or indebtedness of the Authority within the meaning of any provision or limitation of the Constitution of the State of California, and shall not constitute nor give rise to a pecuniary liability of the Authority or a charge against its general credit or taxing powers.
4. The Loan Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Authority.
5. Under existing statutes, regulations, rulings and judicial decisions, assuming compliance by the Authority and the Foundation with certain covenants of the Indenture and the Loan Agreement and other documents pertaining to the Bonds and certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the organization and operation of the Foundation, the use, expenditure and investment of Bond proceeds and the timely payment of certain investment earnings to the United States Treasury, interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of federal income taxation. In rendering the foregoing opinion, we have relied upon the opinion of Wilson Sonsini Goodrich & Rosati, a Professional Corporation, Palo Alto, California, regarding the qualification of the Foundation as an organization described in Section 501(c)(3) of the Code. In addition, we can give no opinion or assurance about the future activities of the Foundation or about the effect of future changes in the Code, the applicable regulations, the interpretations thereof or the resulting changes in enforcement thereof by the Internal Revenue Service. Failure to comply with the covenants and requirements described above or failure of the Foundation to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.
6. Interest on the Bonds will not be treated as an item of tax preference in calculating alternative minimum taxable income of individuals and corporations; however, interest on the Bonds will be included as an adjustment in the calculation of corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. We express no opinion regarding other federal income tax consequences caused by ownership of, or the receipt of interest on, the Bonds.

The Indenture provides that the Bonds may be converted to bear interest at a Term Interest Rate, under the circumstances and subject to the conditions set forth in the indenture. The foregoing opinions relate to the matters described herein only as of the date hereof. We express no opinion as to the exclusion of interest for federal income tax purposes on and after the occurrence of any such conversion or on and after the substitution of the Letter of Credit with an Alternate Letter of Credit (as defined in the Indenture). Additionally, certain requirement and procedures contained or referred to in the Indenture or other relevant documents relating to the Bonds may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to any payment under the Loan Agreement or the exclusion of interest on the Bonds from gross income of the owners of the Bonds for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than this firm.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture, the Loan Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. We express no opinion with respect to indemnification or contribution provisions contained in the foregoing documents.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

[THIS PAGE INTENTIONALLY LEFT BLANK]